MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SANTA FE, NM, SEPTEMBER 8, 1986

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MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

MONDAY, SEPTEMBER 8, 1986

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL BUSINESS,

Santa Fe, NM.

The subcommittee met, pursuant to notice, at 9 a.m. in the City Council Chambers, Santa Fe City Hall, 200 Lincoln Avenue, Santa Fe, NM, Hon. Esteban Edward Torres (acting chairman of the subcommittee) presiding.

OPENING STATEMENT OF ACTING CHAIRMAN TORRES

Mr. TORRES. Good morning, ladies and gentlemen. My name is Esteban Torres, Congressman from California's 34th Congressional District, located in the southeastern portion of Los Angeles County. It is my pleasure to Chair this hearing this morning of the Small Business Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems.

I am delighted to join my colleague, the Honorable Bill Richardson, Member of Congress from this district, who has invited the subcommittee to join him here today and hear from the various witnesses this morning.

We will be hearing today about minority business development in this area, and we will discuss issues related to the Small Business Administration's Minority and Small Business Capital Ownership Development Program, established under sections 8(a) and 7(j) of the Small Business Act. We will hear from small business witnesses this morning concerning special problems facing minority-owned small businesses. We will hear from representatives of small business groups and management assistance organizations. We will hear from officials of SBA who have direct responsibility for the 8(a) Program, and we will hear from military base commanders and directors of two of our national laboratories, informed sources of contracting opportunities for small and disadvantaged business concerns in the State of New Mexico.

I have been asked by the chairman of the Committee on Small Business, Mr. Parren Mitchell, to extend on his behalf a welcome to you and a special thanks, of course, for your willingness to appear and testify on behalf of small minority enterprise. Mr. Mitchell has a primary election tomorrow in the city of Baltimore and regrets that he could not be with us today to attend this im-

portant meeting. I, as a member of the committee, am presiding in his stead.

We would have had Congressman Charles Hayes, of Chicago, here this morning, but he was delayed yesterday and could not be with us this morning. I hope these remarks will be brief, but I want to state for the record that we in Congress are aware that the development of minority-owned small business is vital to the well-being of our Nation.

Small business accounts for approximately 38 percent—I repeat, 38 percent of our gross national product. It employs 48 percent of the private work force, creates most of our new jobs in this country, is the recognized leader in innovation, and is the primary source of jobs for part-time workers, women, minorities, the handicapped, and youth.

Recognizing the impact that government procurement activities have on our Nation's business and industrial community, the U.S. Congress passed legislation that mandates special programs to increase the participation of small and minority-owned businesses in Federal contracting opportunities. These programs benefit the economy in many ways and are vital to our Nation's defense and to the mobilization of our full, productive capacity.

For these objectives to be fulfilled, ladies and gentlemen, all Government agencies must be committed to the goals and purposes of these laws and diligent in their implementation. This is the reason for today's hearing, to monitor past and to monitor present performance, to enlist the fullest cooperation of the local buying activities and encourage government personnel to be vigorous and aggressive in finding and developing new business opportunities and contacts among small and minority-owned business concerns in this State.

I want to thank at the onset everybody for being here. It is very important that we have a full chamber this morning. I want to thank the witnesses for preparing documents ahead of time so the committee could look at them. Now we will hear from those individuals this morning.

But before I do that, let me first of all present to you on my left Ms. LaVon French, who is counsel for the Small Business Committee in Washington, DC, and joins me today.

I would now like to turn the microphone over to my colleague who initially asked Chairman Mitchell if he would assist him in conducting this hearing. I am in the State of New Mexico at his invitation. And I think it behooves me, as a member of the subcommittee, at this point to relinquish my Chair this morning. I am in his district, and I would like the Honorable Bill Richardson to assume the Chair for the rest of the day for this hearing.

OPENING STATEMENT OF ACTING CHAIRMAN RICHARDSON

Mr. RICHARDSON. Thank you, Mr. Chairman. I know that my fellow New Mexicans join me this morning in welcoming you to New Mexico. I first would like to say a few words about Congressman Torres. He is no stranger to our State, having visited many times in his capacity as special assistant. He is the first Hispanic to be a special assistant in the White House. He has been here most

recently as a delegate to the United States European Parliament meeting that was held in Santa Fe in June. And throughout his tenure in Congress, he has been a leader on the Small Business Committee on behalf of small business operators. With the Small Business Administration having some budgetary problems and the lack of a constituency at the Office of Management and Budget, a problem which I think we have resolved, Congressman Torres has been an advocate of small business.

I especially want to thank many of my constituents appearing today—8(a) contractors, representatives from the military and Federal installations, some of the local representatives from the 8(a) association, NEDA, and the SBA in New Mexico.

I think these hearings are the culmination of a commitment on behalf of the New Mexico congressional delegation to try to do something about the 8(a) Program—to try to increase its presence and visibility and show that 8(a) businesses are not interested in just maintenance contracts, but high technology and the new technologies as well.

I also want to especially commend some of my friends in the 8(a) association who have brought some of these problems to the committee's attention.

I especially want to commend several in the audience that, because of time factors, I won't do. Many New Mexicans have advised us on some of the issues affecting small business—Mr. James Ortega, Ed Romero, and many others have been supportive of this committee and the delegation's efforts to ensure that the 8(a) Small Business Program is effective. But if there are problems, we need to find ways to resolve them and not let them fester. We also expect some progress and movement.

We don't think at this point that congressional legislation is needed. But if there is not enough movement, we need to look at new mechanisms to ensure our State can prosper.

In conclusion, it is important to me that the whole State of New Mexico recognize that there is a part of this State that is having more problems than the rest, and that's the Third Congressional District. Ours is a district of small villages made up of entrepreneurs that have the skills and certainly the commitment to want to do more business with our Federal and military installations. I think we need to realize that the State of New Mexico does not center on just Albuquerque. There are other communities and small businessmen that have a voice and want that voice to be recognized. This is why we are holding this hearing here today.

We have a long list of witnesses. I'd like to have Mr. Don Bradley, representative of small business firms; Mr. Phil Archuletta, from the Ojo Caliente Craftsmen; Mr. Ted Martinez, from Custom Trailers; Mr. Ron Solimon, from Laguna Industries; Mr. George Chavez, from Marina Construction; and, Mr. Ed Romero, from Advanced Sciences. I'd like all of these gentlemen to step up to the witness stand. This will be Panel No. 1.

Now Mr. Richard Catanach, from Tierra Engineering, I understand is on his way, and he will subsequently be appearing.

I would ask the witnesses, if they possibly could, to summarize their prepared statements. The inclusion in the record of prepared statements is done by unanimous consent. I will start this hearing

by asking Mr. Don Bradley to lead off the witnesses, followed then by Mr. Archuletta and then Mr. Romero. Mr. Bradley, please proceed, and please take that microphone. And why don't you test it before starting, to see that it is fully operational?

TESTIMONY OF DONALD L. BRADLEY, VICE PRESIDENT, BRADLEY CONSTRUCTION, INC., ALBUQUERQUE, NM

Mr. BRADLEY. Mr. Chairman, I appreciate the opportunity to make some remarks which I hope will be helpful to improving, continuing to improve the 8(a) and minority development in the great State of New Mexico.

Mr. Chairman, my name is Don Bradley, vice president of Bradley Construction, Inc. I am testifying on behalf of the 8(a) association.

The 8(a) Program can and should be a year-round program. Oftentimes the largest part of the agency procurement is done in the last 4 months of the fiscal year. This presents a problem at times, in that the agencies are fearful that if procurement in the last quarter is not negotiated, they will not have the time to award the program on the street and will lose the money.

If the 8(a) firm has been properly matched to the opportunity and the agency is fair and thorough in their negotiation, then the chances of failure are minimal. Our firm, like many other 8(a) firms, has developed a 90- to 95-percent success ratio in negotiating. And when the negotiation failed, there were no negotiations, per se.

The 8(a) Program is being recognized as a business development program in Federal contracting circles and can become more so if the Federal agencies like SBA, the minority business community and the agencies continue to improve communication about the mechanics of the program. In the past and present at certain facilities, the program has been viewed differently.

Having a business development program available to them, the agencies should be more flexible in their 8(a) goals. Oftentimes setasides remain that way when an agency gets requests to consider 8(a) later in the fiscal year. There is an attached letter as an example.

If an agency does not have an adequate understanding of the 8(a) Program, then the 8(a) goals of the agency are unrealistically low at the beginning of the procurement cycle in the fiscal year, and they would have reason not to be flexible in raising their goal.

Another problem that the 8(a) contractors are having at times is that different agencies interpret the FAR regulations differently. In other words, there's no uniformity. And this can be the cause for a failure in negotiations, especially if it's a newer firm that isn't familiar with the FAR. Even some of the older firms haven't kept up with how it would be interpreted.

I'd like to commend Congress for their oversight of the 8(a) Program and their concern for the minority business community. Thank you again for hearing my testimony.

Mr. RICHARDSON. Thank you, Mr. Bradley. Mr. Archuletta.

[Mr. Bradley's prepared statement, with attachment, follows:]

Prepared Statement of Donald L. Bradley, Vice President, Bradley, Construction, Inc., Albuquerque, NM

MR. CHAIRMAN, MY NAME IS DONALD L. BRADLEY, VICE PRESIDENT, BRADLEY CONSTRUCTION, INC. I AM TESTIFYING ON BEHALF OF THE 8(a) ASSOCIATION.

8(a) CAN AND SHOULD BE A YEAR ROUND PROGRAM. OFTEN TIMES THE LARGEST PARTS OF THE AGENCY PROCUREMENT IS DONE IN THE LAST FOUR MONTHS OF THE FISCAL YEAR.

AGENCIES ARE HESITANT TO USE THE 8(a) PROGRAM BECAUSE THEY ARE FEARFUL THE NEGOTIATION WILL FAIL AND THE MONEY WILL BE LOST TO THEM. IF THE 8(a) FIRM HAS BEEN PROPERLY MATCHED TO THE OPPORTUNITY AND THE AGENCY IS FAIR AND THOROUGH IN THEIR NEGOTIATION, THEN THE CHANCES FOR FAILURE ARE MINIMAL. OUR FIRM HAS, LIKE MANY OTHER 8(a) FIRMS, A 90% - 95% SUCCESS RATIO IN NEGOTIATING, WHEN THE NEGOTIATION FAILED, THERE WERE NO NEGOTIATIONS PER SE.

THE 8(a) PROGRAM IS BEING RECOGNIZED AS A BUSINESS DEVELOPMENT PROGRAM IN FEDERAL CONTRACTING CIRCLES AND CAN BECOME MORE SO IF THE FEDERAL AGENCIES LIKE SBA AND MINORITY BUSINESS COMMUNITIES CONTINUE TO IMPROVE COMMUNICATIONS ON THE MECHANICS OF THE PROGRAM. IN THE PAST AND PRESENTLY THE PROGRAM HAS BEEN VIEWED DIFFERENTLY.

8(a) GOALS SHOULD BE FLEXIBLE. OFTEN TIMES SMALL BUSINESS SET-A-SIDES REMAIN THAT WAY WHEN AN AGENCY GETS REQUESTS TO CONSIDER 8(a). (SEE ATTACHED LETTER). IF AN AGENCY DOES NOT HAVE AN ADEQUATE UNDERSTANDING OF THE 8(a) PROGRAMS, THEN THE 8(a) GOALS OF THE AGENCY ARE UNREALISTICLY LOW AT THE BEGINING OF THE PROCUREMENT CYCLE IN THE NEW FISGAL YEAR.

ANOTHER PROBLEM 8(a) CONTRACTORS HAVE IS THAT OFTEN TIMES DIFFERENT AGENCIES INTERPRET THE FAR REGULATIONS DIFFERENTLY.

CONGRESS IS TO BE COMMENDED FOR THEIR OVERSIGHT OF THE 8(a) PROGRAM AND THEIR CONCERN FOR MINORITY BUSINESS DEVELOPMENT.

THANK YOU

DONALD L. BRADLEY,
VICE PRESIDENT

BRADLEY CONSTRUCTION, INC.
8300 WASHINGTON, N.E.
ALBUQUERQUE, NEW MEXICO 87113

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Regional Office VI
1200 Main Tower Building
Dallas, Texas 75202

February 28, 1986

Bradley Construction Inc.
ATTN: David L. Bradley
8300 Washington N.E.
Albuquerque, N.M. 87113

Dear Sir:

I am in receipt of your letter of Feb. 26, 1986 concerning the possibility of a set-aside under the 8A Program the projects for the Crownpoint and Tsaile housing.

The decision to set these projects aside for Small Business was made on 1/15/86 by the Small Business Specialist. I concurred in this determination. I am sure you can see the necessity for making that determination at the beginning of the Acquisition Cycle.

Since that time we have had other (numerous) requests to set aside the projects under the 8A Program and the Buy Indian Act.

We advised each of firms submitting the request that we considered a set aside under 8A and the Buy Indian Act before the determination to set the Projects aside for Small Business was made.

We have not changed our position since that determination was made. Based on the information currently available, the magnitude and complexity of the projects we still believe that the determination to set aside for small business is correct.

You can of course bid on the projects as a small business.

We want to assure you that we will give every consideration to set-asides under 8A and BI on future projects.

We will keep the information you submitted on file for review in making future determinations.

Sincerely,

Bernard L. Ayers
Contracting Officer

cc: BADBUS
Jerry McKinney
Project Manager
Earl Harter
NAIHS

TESTIMONY OF PHIL T. ARCHULETTA, REPRESENTING OJO CALIENTE CRAFTSMEN, INC., OJO CALIENTE, NM

Mr. ARCHULETTA. Mr. Chairman, my name is Phil Archuletta, and I am testifying on behalf of the 8(a) Program. I represent a small minority business firm in an economically depressed rural area in northern New Mexico. The name of my firm is Ojo Caliente Craftsmen, Inc.

Our firm is SBA 8(a) certified, and we manufacture signs for the U.S. Forest Service nationally. We also manufacture cattle guards, gates, and platforms for Rockwell International. These platforms are for the B–1 bomber project in Palmsdale, CA.

I find it easier to market our company's products with Federal agencies out of the State of New Mexico, because with the U.S. Forest Service, I deal direct with the engineers and the contracting officers. The small business representative does not get involved unless I have problems. This holds for the National Park Service, the Bureau of Indian Affairs, Army Corps of Engineers, and Rockwell International.

In the bases in the State of New Mexico, the 8(a) contractors are expected to deal with small and disadvantaged business utilization specialists first, before they make arrangements with the buyers. I find this arrangement to be a real stumbling block for me because the buyers that I meet with really don't want to deal with 8(a) firms. And when they do, they talk about contracts that are so small that it is not worth it for a firm like ours to get involved with.

A buyer from one of the bases suggested in a meeting that 8(a) firms start by getting contracts that are $10,000 or less. The small and disadvantaged business utilization specialist from White Sands called the 8(a) firms noncompetitive, nonmarketing, in front of a Congressional hearing. I don't know if this comes from the base commanders or if the small and disadvantaged business utilization specialists do it on their own.

Small and disadvantaged business utilization specialists, engineers, technical and contracting people need to be more sensitized and aware of the capabilities of the New Mexico 8(a) firms. In my opinion, the buyers have the same attitude.

The SBA 8(a) Program is a congressional law for the purpose of developing small minority and disadvantaged businesses so that we can compete in the open market.

Our firm has a contract with the U.S. Forest Service for over $1 million, and we would like to get big contracts on metal fabrication from the State of New Mexico bases. However, I believe this will not happen until our company becomes a multimillion dollar corporation, capable of buying equipment to build laser beams, and we have full intentions of getting there. Thank you.

Mr. RICHARDSON. Thank you Mr. Archuletta.

I would now like to recognize Mr. Ed Romero, from Advanced Sciences. Let me just add that Mr. Romero's firm was one of the first firms to deal in high technology. This is one of the areas the committee is concerned about—promoting small businesses in the high-technology area. Mr. Romero, please proceed.

TESTIMONY OF ED L. ROMERO, PRESIDENT, ADVANCED SCIENCES, INC., ALBUQUERQUE, NM

Mr. ROMERO. Thank you very much, Congressman Richardson. Congressman Torres, Congressman Richardson, it's very gratifying to those of us giving testimony today that Congress has a continuing interest in a topic that is of utmost importance to us, namely the status of minority business in New Mexico. My testimony will take about 15 minutes, Congressmen. I'll try to hurry it up.

I'd like to welcome you to Santa Fe, NM. It's appropriate that you are conducting this hearing in Santa Fe. Since the early 1600's, this community has thrived based largely on the strength of Hispanic-owned small businesses. It was these early, small businesses which first brought the free enterprise system to the western United States.

Continuing this outstanding example of performance, today's New Mexico small business community contributes to the economic growth of our State. With this tradition, it is easy to understand why we become somewhat frustrated when we are not taken seriously by the various procurement centers operating here.

During the last few centuries, the role of small business in New Mexico has changed significantly. We have been relegated to the role of follower, rather than leader. Although there are undoubtedly more small businesses in New Mexico than there are large businesses, they do not share in the mainstream economic growth occurring in this State. The small business economics in this State rely on trickle down or secondary economic forces. With the hundreds of millions of dollars spent in New Mexico by the Federal Government, you have to look long and hard for an example of a New Mexico minority-owned small business that has become a large business as a result of doing business with the Federal Government.

On the other hand, you can find numerous examples of large companies that have come to New Mexico and have experienced phenomenal growth. Those of us in the New Mexico business community find this an unacceptable situation.

In reviewing our current situation in this State, several problems come to mind. Our primary obstacle in business development remains one of perception. In many ways, New Mexico represents a very unique situation, in terms of Government contracting. With the location in New Mexico of two national labs and four major military installations, most of the Federal funds spent in the State are related to high-technology endeavors.

In addition, when new construction or capital improvement projects occur in this State, they tend to be high-cost projects. As a result, successful contractors working in the State tend to be large, high-technology engineering or construction firms. Potential clients often view minority-owned companies as being incapable of performing these types of services or projects. The results of this perception or bias is that MBE's are precluded from serious consideration for award in the vast majority of projects performed in this State.

What is particularly annoying about the situation in New Mexico is that we are prone to fall into what I view as the 8(a)

trap. MBE's are viewed as being unqualified to perform high technology or large-scale construction projects because they lack previous experience with projects of similar scope. Unfortunately, you can't get that type of experience until someone awards you a large contract. Since we currently see a tendency on the part of procurement activities in the State to award MBE's short-term and small-budget contracts, this unacceptable situation is being perpetuated.

Second, because of recent changes in procurement regulations and laws due to $800 in toilet seats and hundreds of millions in overruns, there is an increased emphasis on competition in the procurement process.

In general, the purpose of these changes was to decrease the cost of contract awards caused by the abuse of large military/industrial businesses and encourage competition. The potential spinoff of these changes was to open up opportunities for small businesses to break in to new areas of service. The opposite has happened.

Armed with this mandate, some procurement entities in this State feel compelled to do away with setaside or breakout programs. That was not the reason for the change. The change was intended to attempt to make large businesses more responsible and competitive, not to further jeopardize small and minority business marketing endeavors.

In many of the high-technology and engineering fields, the selection of a contractor is often not based on cost, but rather on depth of experience. By deemphasizing sole source contracting and breakout/setaside programs, existing procurement policies and regulations make it increasingly difficult for MBE's to get their feet in the door or to compete for contract awards. We are back in the 8(a) trap.

The tendency in Government procurement in non-8(a) areas during recent years has been toward fewer contracts for larger amounts. That's in non-8(a) areas. This shift is a direct result of the slowdown of the procurement process caused by the Competition in Contracting Act. The Federal Government rationalizes the decision toward larger contracts by requiring subcontracting plans from successful prime contractors. However, without the statutory or administrative authority necessary to enforce compliance with subcontracting plans, the result of this scenario is a substantial drop in business opportunities for small businesses and MBE's. The reality of the situation is that prime contractors, including GOCO's, oftentimes use contract dollars to build internal capabilities and keep in-house staff busy, rather than subcontract work that lends itself to breakout.

I have spent a considerable amount of time describing current problems facing New Mexico MBE's. I don't want to paint a totally negative picture, because we have seen improvement during the last year in the way a couple of Federal procurement centers view MBE's in the State. However, I think we should keep in mind that when you start with nothing, any improvement looks good. I think everyone present today will agree that more must be done to increase opportunities for MBE's in this State.

Due to the geographic distribution of my company's offices and the length of time we've been in business, I think I'm in a unique position to evaluate changes in the minority business community.

There is no question in my mind that the last 10 years have witnessed a change in the minority business climate in this country. We have seen small increases in the total number of contracts, as well as dollar volume, issued to MBE's.

Perhaps more importantly, we have seen a gradual movement of MBE's into high-technology engineering and manufacturing areas. 8(a) companies are currently taking lead roles in many high-priority national programs. A good example is a company out of Colorado Springs, called CTA, owned by a friend of mine, Dr. Tom Velez. CTA has recently been awarded a contract worth $95 million to redesign the Navy's test and evaluation related computer program.

As another example, I would point to two contracts recently awarded to my company, ASI. We are currently working on two projects for DOE involving the cleanup of two of the largest environmentally contaminated sites in the Nation. We are performing environmental studies and preparing engineering designs for the cleanup of mercury contamination at Oak Ridge, TN, and radioactive and hazardous waste contamination of Fernald, OH. The size of these two contracts will approach $7 to $10 million for 5 years, for a total of $35 to $50 million.

What is particularly surprising to me is that several procurement officials in New Mexico talk about what a great job they are doing. I'm sure you can see that compared to what some of us are doing nationally, we are not impressed.

What is more troubling is the fact that ASI's work for DOE and CTA's work for the Navy have applicability to New Mexico-based programs. We could and should be performing the same type of work in New Mexico. It is frustrating when you are not taken seriously in your own State.

In looking at the growth of the minority business community over the past 10 years, it is actually quite easy to pinpoint the crucial events and activities, and most of that is due to Congress and due to you gentlemen.

The cause of MBE's has substantially advanced during the last 2 years, with the passage of the Gray amendment and the recent establishment of a 5-percent goal for MBE participation in DOE programs.

There is an important message here. If Federal agencies know that Congress is serious about the issue, they will try harder to increase MBE opportunities. And for that, we are indebted to you.

One thing I would like to suggest at this time, Congressman Torres and Congressman Richardson, is that some sort of monitoring system be established to see if the 5-percent DOE goal is in fact implemented in New Mexico. You can do that and actually look at the Federal expenditures and also look at what the prime contractors and the GOCO's are doing and if, in fact, they are adhering to that 5 percent.

A secondary reason for the improvements in the MBE participation has been the use of setaside programs. I strongly believe that use of setaside or breakout programs is the only way for the MBE's to break into high technology or large and long-term contracts.

Critics of these types of programs will say that 8(a) companies cost too much, and that is untrue. ASI's clients find us very reason-

able and cost competitive when compared to other firms involved in similar work. I'm sure other MBE's find the same to be true.

It is true that setaside programs are discretionary. What we are really asking, though, is that clients use discretion in our favor, rather than against us, as is currently happening.

During the last year and a half, congressional scrutiny by the New Mexico delegation has resulted in significant changes here in the State. In the case of ASI's marketing activities, we have seen encouraging signs at Kirtland Air Force Base and White Sands Missile Range. In addition, clients have been pleased with both performance and cost. I think we have laid the foundation necessary to allow MBE growth in this State.

In closing, I do want to stress that we are all in this together. Congress has identified the problem and has shown its dedication to the solution. Federal agencies recognize that creating MBE opportunities is actually good business for them and are seeking means of compliance, and MBE's recognize the need for quality performance. Working together, we can all benefit the New Mexico and national economy. Thank you very much.

Mr. RICHARDSON. Thank you, Mr. Romero.

Mr. George Chavez.

TESTIMONY OF GEORGE E. CHAVEZ, SR., PRESIDENT, MARINA CONSTRUCTION, INC.

Mr. CHAVEZ. Mr. Chairman, distinguished members of this committee, I am George Chavez, president of Marina Construction, Inc. I thank you for inviting me here today. I have been a construction contractor in New Mexico for 10 years, and have been a certified SBA 8(a) contractor since December of 1983.

I consider it one of the better programs, private or Government, helping the minority business in order to procure government contracts in this Nation today. Prior to becoming an 8(a) contractor, my knowledge and experience relating to contracting opportunities with the Federal Government was limited, and I believed the bidding process for the Federal Government to be just too competitive.

Briefly, I would like to tell you what the SBA 8(a) Program has done for my company. Through the efforts of Mr. Ernest Borrego and his highly qualified staff, my present marketing program was put into effect. The 8(a) seminars that Congress has presented by the SBA office provided the necessary knowledge needed to procure Federal Government contracts.

Contact was made with the Army Corps of Engineers, the Department of Energy, the U.S. Air Force, Kirtland Air Force Base, the Forest Service, the Bureau of Land Management, the Veterans' Administration and Sandia National Laboratories. As a result of this marketing effort, two contracts of just over $1 million have been completed satisfactorily, one for the Department of Energy in Los Alamos and one for the Army Corps of Engineers at Kirtland Air Force Base. Presently, we are ready to start on four other Federal contracts, one with the BLM in Socorro County, one with the Forest Service, one with Gila National Forest, and two jobs with the Air Force at Kirtland Air Force Base.

Although our marketing efforts through the SBA program have been successful, we are not totally dependent upon the program to secure contracts. The Small Business Administration cannot bring all the jobs to the contractor. The most essential aspect of the 8(a) Program is learning how to self-market. Only the individual owner of the company really knows his company well enough to sell his capabilities. As the old saying goes, knowledge breeds success, and success breeds more success.

The marketing efforts to procure 8(a) contracts can take different forms, but success depends greatly on knowledge of where the contracts are. A good source is the Commerce Business Daily. It contains news of upcoming contracts, what they involve and whom to contact. The local SBA and some trade associations also provide leads on upcoming contracts, as well as other assistance necessary, not only to procure contracts, but also to improve business procedures.

While most of my experience with the Small Business Administration has been on the upside, there are areas that need improvement. Namely, financial assistance.

Some of the SBA programs designed to render financial assistance have been limited by either the lack of funding or the absence of adequate people to put them into effect.

One of these is the Advance Payment Program. In this time of failing banks and financial institutions, it is difficult for a small business to find adequate financing to mobilize and operate a project until regular payments start coming in. Advance payments would help considerably. However, the SBA does not have enough people to process the paperwork, and it takes an extraordinarily long length of time to get approval. By the time approval for advanced payments is given, a project may be 50 percent or more completed. The payments are not needed then. The 8(a) contractor probably already has gone out and found a loan, tied up his assets, and has a high interest rate to pay if he wants to perform as the contract requires. For when he cannot secure a loan, he begins to lose his cash flow very quickly.

The second area has to do with financing, also. The contractor may need new equipment or have an opportunity to expand into better offices or to update his way of doing business. Money is needed to do these things. Although the SBA has a guaranteed loan program, there are no funds for it, or local banks are unwilling to go along with it. One reason for local banks to pass is the inordinate amount of paperwork required to administer it. I had this particular experience last week myself.

Unfortunately, there are still a number of decisionmaking people in Federal Government agencies who are still stuck with the stigma that minority contractors are not intelligent enough, do not have the necessary skills, capabilities or knowledge necessary to perform certain highly technical projects. Just ask the Corps of Engineers about work done by a certain minority contractor on the laboratory building at Kirtland Air Force Base which has just been completed.

Mr. Chairman, let me assure you that Hispanics, along with other ethnic minorities, pursue the all-American dream with a passion, a passion that runs deep, a passion born of culture and of his-

tory, of the very philosophies and ideals that make this country great. And given an opportunity to prove one's worth, we take pride in providing our success.

Again, I want to thank you for giving me the opportunity to come before you.

Mr. RICHARDSON. Thank you, Mr. Chavez.

Our next witness is Mr. Ron Solimon of Laguna Industries. Mr. Solimon, welcome to this committee. We are asking each witness to summarize their prepared remarks. Please proceed.

TESTIMONY OF RONALD J. SOLIMON, PRESIDENT AND GENERAL MANAGER, LAGUNA INDUSTRIES, INC.

Mr. SOLIMON. Mr. Chairman, distinguished members of the subcommittee, my name is Ronald J. Solimon. I am the president and general manager of Laguna Industries, Inc. We're a wholly owned tribal corporation, established by the Pueblo of Laguna. We have been in business here in the State of New Mexico since July 26, 1984.

We have a long history in becoming a corporation licensed to do business and qualify as an 8(a) corporation here in this State. The pueblo's struggle to establish the actual entity known as Laguna Industries is long. It has a 5-year history. And I'm very proud to say that we've been successful, and largely through the efforts of our congressional delegation, including of course Congressman Bill Richardson.

I won't attempt to really describe or recant every detail in our struggle to establish ourselves as a viable business entity under the 8(a) Program. However, without the consistent and dynamic support of our congressional delegation, it's needless to say that we would not have the existing approximately $18 million contract that we now have with the Department of the Army Communications Electronics Command at Fort Monmouth, NJ.

The Pueblo of Laguna, through its individual tribal members who serve in various branches of the armed services and through its corporate entity, now known as Laguna Industries, has been a willing participant and will continue to be a willing participant in the defense contract readiness of our country.

We, of course, have maintained similar postures over the centuries prior to our existing legal relationship with the United States. The Pueblo of Laguna discovered that this legal relationship, which we describe as a Federal trust relationship with the U.S. Government, was not always acknowledged by the agencies that we initially contacted, including the Department of Defense. This negative environment existed when the pueblo first began its attempts to gain entry into the defense contract industry, which undoubtedly is the mainstay of the Fortune 500 companies, as we call them.

The implementation of President Reagan's trickle-down theory was not very evident to us when we started out on this long and arduous process. Nevertheless, we found some people that were willing to go along with our concepts, and of course some legislative changes had to come about, some changes in the way that the Department of Defense perceived the Pueblo of Laguna and, any business entities that it chose to establish were the key factor here.

I'll never forget the times that we approached high-ranking officials at the Pentagon. We were ushered into followup meetings with lower-level agency personnel whose only mission was really to deal with the Indians, as we represented ourselves back there. This was a very disappointing process, because in fact we were diplomatically pushed aside. And if they had been more direct, I think we could have saved ourselves a lot of time and money in establishing the corporation known as Laguna Industries, Inc.

Nevertheless, we sought and received the help of Senator Domenici, Congressman Manuel Lujan, Senator Jeff Bingaman, Congressman Richardson, of course, and Congressman Joe Skeen. And together we decided on the courses of action relative to the responsiveness that we received over at DOD and some of the other agencies with whom we were dealing.

DOD, the Department of Defense, apparently did not want to acknowledge the existence of the statutory provision that we had fought for were successful in acquiring or legislating into law, and that was the Buy-Indian language in the 1982 Defense Appropriations Act. The year following that, again it was legislated, but regulations were slow in coming, regulations were slow in being promulgated by the agencies. And of course what ultimately happened was the whole program was sent up to general counsel for legal interpretation. Of course when this happens, chances are it's going to be a long process and it's going to take time before anything is actually put into effect.

What we resolved to do then was to renew our approach. We examined other statutory vehicles. And the only one that we could identify that was a possibility of the 8(a) Program was the Small Business Act. However, tribally owned business entities were really not allowed entry into that particular program. To become an 8(a) corporation was going to take, again, some legislative action. It was going to take some additional pushing and pulling in order to get the Pueblo of Laguna and its corporation qualified as an 8(a) corporation.

We approached our New Mexico delegation with this statutory impediment, and they, in turn, suggested the development of an agreement between the Department of Defense and SBA. This has become known as a Memorandum of Understanding between SBA and DOD which, in effect, allows tribally owned business entities to gain entry into the defense contracting industry.

There are a couple of individuals that are back at the Pentagon that I must acknowledge at this time. They are Ms. Norma Leftwich, the Director of the Office of Small and Disadvantaged Business Utilization, as well as one of her key staff members, Hugh Smoczynski. They were the drivers behind the drafting of the Memorandum of Understanding.

The MOU, as we call it, between DOD and SBA had an expiration date of 2 years from the time of its inception and initially was to expire in September 1985. It received a 1-year extension. However, this particular MOU is scheduled to expire this month. I'm not aware of any changes to that. That's the latest information I have.

I have really attempted to determine the extent tribally owned corporations have benefited from this MOU, and I have been advised that Laguna Industries was the only tribally owned business

that qualified to be an 8(a) contractor within this region of the U.S. Small Business Administration.

The Pueblo of Laguna's readiness to take advantage of this special invitation in the form of the MOU was the product of several years of preparation. I don't believe that this avenue should once again be closed to other tribes who would like to participate in a similar fashion under the 8(a) Program.

Other tribes may just now be putting together or putting the final touches on their own concepts. It takes a great deal of time and effort and a lot of capital to get into this business, and I would like to see that door stay open for other Indian tribes.

The State of New Mexico is home for some 22 Indian tribes, the tribal governments of which carry the same burden at the Pueblo of Laguna right after the closure of our uranium mining industries on pueblo land. Every one of those tribal governments looks for the establishment of viable business activities within their reservation boundaries for the benefit of their people and ultimately the stability of their culture and economy. I would ask here today that the door not be closed on them, that they be given a similar opportunity that the Pueblo of Laguna has had and has been successfully pursuing.

I would like to turn now to what I understand to be the main concern here today, and that is the responsiveness or lack thereof of the military installations and Federal labs situated within the State of New Mexico.

Given Laguna's contract with the Department of the Army installation is located at Fort Monmouth, NJ, as opposed to New Mexico, I feel that you might be inclined to conclude that Laguna Industries met with opposition to our marketing efforts. Now in point of fact and in reality, our marketing efforts are rather limited at this time within the State of New Mexico. We haven't gone to Kirtland Air Force Base with any marketing packets, demonstrated our capabilities or other installations within the State. That is something that we plan to do.

What we needed at the Pueblo of Laguna was a major contract or some business activity that would impact significantly on the 76-percent unemployment rate that we have. We needed something large, so we had to reach outside of the State. And we are now looking at marketing our capabilities to all of the in-State Federal installations, as well as the national labs that do business inside the boundaries of the State of New Mexico. I hope that their respective procurement activities are really ready to receive us. If not, then it's not going to be our fault. We have done a good job in marketing our capabilities in the past, and we're used to dealing with people that move at a very fast pace. And we would like to see that same responsiveness within our own home State because it is our intent to market our capabilities here.

The Pueblo of Laguna has really been what I term to be, or gauge to be, relentless in its plight to become a member of the 8(a) Program. And this same singleness of purpose, that is to say the stabilization of its reservation economy, will cause it to continue to strive forward.

I believe that the size of our contribution here within the State of New Mexico and within the Third Congressional District, where

we are situated today, have increased significantly the regional and district portfolios for the Small Business Administration. Our contract and magnitude would seem to require that the Small Business Administration's administrative capabilities for the contract monitoring activities be expanded really to cover the significant contract that we brought back to the State of New Mexico.

However, what I've seen is that, in fact, their budgets, their staffing, really do not allow for that. We have a great deal of contact with our customer back in Fort Monmouth, NJ. This week I am in the process of putting together another bid proposal package with the SBA as the prime contractor in this situation and try and get new business. We need to really be able to make these contacts, along with our corporation. And I would ask that you consider that. It may not be appropriate here, but I might point that out. SBA, as the prime contractor, should be well represented at each and every meeting that we have. And I feel that the intent of the program was not to confine their participation, especially in light of their participation as a prime contractor.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear here today and your allowing us to present testimony. I hope that you find my testimony to be of some usefulness. This is our first public statement of sorts, and we would like again to express our appreciation for the congressional delegation, to Congressman Richardson and others for their assistance in getting this far today. That concludes my testimony.

Mr. RICHARDSON. Thank you, Mr. Solimon. That concludes the testimony of the witnesses. Now I'll turn to Congressman Torres for his first set of questions.

Mr. TORRES. Thank you, Mr. Chairman. I want to thank the witnesses for excellent testimony and building for us a scenario for some of the problems and successes that you encounter.

I would like to direct my first question to Mr. Archuletta, who stated in his testimony—and I found it rather interesting—that it is better to work, you said, in your particular endeavors by dealing directly with engineers and contracting officers, than to work with the small business representatives. Can you explain exactly what you meant by that?

Mr. ARCHULETTA. Well, I've been dealing with the U.S. Forest Service since 1970 in contracts for the manufacture of signs. I never knew there was a small business utilization specialist until 1980, when I started trying to get work within the State of New Mexico.

I have enjoyed meeting and working with small business SADBUS, as they are called within the State. However, in trying to get contracts within the State and having them taking our people over to our operation and going around and around, it doesn't seem like we are able to get any contract or anything going with any of the bases within the State. And with the Forest Service and the Federal agencies that I deal with, we deal directly with engineers and contracting officers when we put the contracts together, agencies that really want to get contracts. And sometimes from our company I'll go over there. And they just don't go in there and say, "Well, look, we want to get a contract," or, "We want to do this with you," and then they walk away and nothing gets done. It's

kind of frustrating to be going after State business in 1980 and not being able to get any contracts on them.

Mr. TORRES. Thank you. I would like to turn now briefly to Mr. Romero, who had excellent testimony. I was really impressed by the magnitude of some of the work that he has been doing. Obviously, Mr. Romero, I've known you in the past. You've been in this business a long time. But nonetheless, you testified in your statement that your business, per se, is not treated at times and given the same respect and credibility as befits your capabilities. Can you tell me the reason?

Mr. ROMERO. Within this State, there is a problem and there has been a problem for many years, Congressman, of perception, as I have stated, that MBE's perhaps do not have the proper type of capabilities. Most of us here, as you have heard, get our major contracts from installations out of the State.

Within the last year, a couple of entities here are beginning to take us a little more seriously. In my particular field, in a multidisciplinary company in the field of experimentation and design, we have to compete with the GOCO's, who should be subcontracting with a local firm a subcontract, but they don't. We have to compete with major out-of-State firms. And the perception is that for a small, minority-owned business to have these kinds of capabilities is a virtual impossibility. This was particularly the case with the director of one of those GOCO's that we're here on.

In fact, we hired one of the most highly capable technicians from an existing laboratory at one of the installations in New Mexico. Three months ago, before we hired him, he was doing the same type of work. He was a leader in the field. And when one of our men went back to let them know that he was now with our company, we were virtually excluded from any further conversation, because now he was with a small, minority contractor. Consequently, his capabilities must have changed. He had to be less capable now than he was 3 months ago.

So we are not taken seriously. We have seen some improvement, and for that I'm grateful. But I got my first 8(a) contract in New Mexico after 10 years in business, Congressman, about 10 months ago, and that was at Kirtland Air Force Base. That should show the magnitude of the erroneous perception of our procurement centers in New Mexico.

Mr. TORRES. Let me follow that up. You testified that your contracts outside of the State, Oak Ridge, TN, and the State of Ohio—perhaps those two in particular—might net over the next 5 years $30 million to $60 million.

Mr. ROMERO. Yes, sir.

Mr. TORRES. May I ask at this time, what would you estimate the net worth of the contracts in New Mexico that your firm is undertaking?

Mr. ROMERO. Our total sales volume this year will be $10 million to $12 million, our sales volume, what we have, in fact, put on the books sales-wise. Now those $30 million to $60 million contracts, I'm not putting that in sales, but we will be doing that next year, at least. Of that, I would say that maybe 5 percent is in New Mexico.

Mr. TORRES. Five percent?

Mr. ROMERO. Right; maybe 6.

Mr. TORRES. Thank you, Mr. Romero. Mr. Chairman, I yield the balance of my time back to you and I thank the witnesses.

Mr. RICHARDSON. Thank you very much, Chairman Torres, for yielding. I want to commend all of you for not just your statements, but for your work on this issue: Mr. Bradley, with the 8(a) group; Mr. Romero and Mr. Archuletta; and Mr. Solimon for the tremendous breakthrough that the Lagunas have made in their new contract. I think you have been very generous in commending the New Mexico delegation, but it really was your efforts that got you that contract.

We've talked about the 8(a) and how it is operated in New Mexico. Mr. Romero pointed out some progress. I understand basically you said that at White Sands and Kirtland you have seen progress in the last 2 years. That is an accurate statement.

Mr. Romero, what about the others? The congressional delegation met about a year ago. Are you saying that the progress has not been similar at Los Alamos, and Holloman, Cannon, et cetera?

Mr. ROMERO. Yes, sir; if I excluded them, I meant exactly that. And I'm not saying that a number of meetings have not taken place. They have. We have met with many of them. We've met with them and we've met with them. As far as seeing anything done with those concerns—and it is not my intent to embarrass anyone—but I think we're spinning our wheels. I think we're seeing some optimism, but I don't share that optimism.

Mr. RICHARDSON. Could it be a transitional problem, or do you think that it is endemic with attitudinal feelings that they have toward 8(a), and that the only way they might be cured is by new legislation, new reform of 8(a)?

Mr. ROMERO. That might be the case. The attitude of the commanders of these installations and areas may be—you may be right. The perceptive level of the bureaucrats is the main thing. Their attitude is one that is hard to penetrate and hard to change, so maybe it will take some legislation.

I do understand that we do have a new president at Los Alamos, and we are looking forward to that. You know, we're not allowed to sit back and say, "Well, forget about them." The extent of our effort is continuing; I am not as optimistic as I am in other States or with other contracting officers. I do feel that when we're pointing out the work that we're doing in Fernald, OH, and in Oak Ridge, TN, Martin Marietta is the GOCO with DOE. We have the same agency here at the one area in your district, Los Alamos, and at Sandia, DOE. And yet the GOCO's here are not as responsive as those GOCO's, and it's the same relationship, the same type of relationship between the GOCO and the agency dealing with it.

Mr. RICHARDSON. Mr. Archuletta, I have followed the growth of your company, and I think it's one of the big success stories in New Mexico. You obviously are not totally dependent on 8(a), and you mentioned marketing. What do 8(a) firms, in your judgment, need to do to improve their own marketing? We can throw rocks at the installations and the Federal agencies for not doing their bit, but what could the 8(a) firms do to improve their marketing capabilities so that some of these Federal officials are aware of your presence? Maybe that's a problem that we ought to work on.

Mr. ARCHULETTA. Well, our company, going way back to when we started, we were aggressive in our marketing efforts. And when we started out, we saw that there was no way that we were going to get business within the State of New Mexico. So we involved ourselves with Senator Montoya from day one, way back in the early seventies, and went with SBA and went after the U.S. Forest Service, not in the State of New Mexico, but in Arizona and New Mexico, and started working our way around the country.

I guess what the 8(a) firms need to do is go out there and market their products, not only with agencies within the State, but with all Federal agencies that have offices in Albuquerque and all over and not just here in the State. Because I feel—and I have been after the bases since 1980—to get business within the State, you have to be a real sophisticated corporation, with multimillion-dollar equipment and all sorts of engineers, to be able to get them to listen to you.

Mr. RICHARDSON. Mr. Solimon, you mentioned that what basically triggered your ability to contract with DOD was legislation that mandated dealing with federally recognized Indian tribes. You also cited a memorandum of understanding between the Department of Defense and the contractor. Is there any other specific legislation that you think is needed that would enable Indian tribes to do more work with the Department of Defense? Since we're mostly dealing with the Department of Defense here today, do you feel that Indian tribes are adequately represented in the 8(a) Program? I've heard Hispanic firms say, "Well, it's mainly a black program," Hispanic groups feel that they're not represented. Is there the same feeling among some of the Indian tribes, that perhaps greater visibility and legislative language is needed for you?

Mr. SOLIMON. I feel that the facts speak for themselves. From the information that I have, the data, if it is accurate, we would appear to have quite a deficiency there in the number of tribes or tribally owned corporations that actually are qualified as 8(a) corporations throughout the United States. I believe that specific legislation is in order. We tried that through the Defense Appropriations Acts of 1982 and 1983, and that basically was terminated through the sunset nature of the language. The language we had in those two Defense Appropriations Acts was so-called "Buy Indian," which was similar to that found in the procurement legislation for the Department of the Interior. We felt that that would be a trigger, and we felt that that would have a long life.

As it turned out, that faded by the wayside. And perhaps our success, really, in a way, that contributed to lessening the desire to help other Indian tribes. I don't feel that one tribe in the program is adequate. I feel that there would have to be others that are able to participate, that there are other Indian tribes around the United States and specifically here in the State of New Mexico that have equal capabilities, that have the total commitment, business entities that are viable.

So I do feel that legislation is in order. I think the first step would be to, in fact, get the memorandum of understanding extended—it has not been extended—in order to allow those tribes to get their packages together.

Mr. RICHARDSON. Thank you, Mr. Solimon. Let me ask just one final question of the panelists, to each one of you, if you would like to answer it. What should be our goals in the Congress of the United States with the 8(a) Programs? There are two choices: One, better enforcement and monitoring of existing SBA programs or new legislation which is more specific, more binding. As you may know, several of us got an amendment passed through the armed services bill which requires a 10-percent set-aside. Now, there is no similar language in the Senate, but that's an increase over previous legislation. And then, as a corollary to that, would it also be helpful if within 8(a) contracting, DOD contracting, for instance, more flexibility be given to the Small Business Administration? Several of you mentioned flexibility, but you didn't say exactly what it is you want. Does flexibility mean certain goals in high-technology contracts, as opposed to maintenance? Specifically, do we need to enforce existing law or create new law? Mr. Bradley.

Mr. BRADLEY. That's a very good point in question, Congressman. I think we need to do all three. We have shown that some progress is being made, but you have to continue to have a commitment at the top of the agency. And a lot of our fine agency colonels and heads are only there a year or two. And maybe they have shown their support and they've gotten promoted, so things can backslide. We've seen that in this State. They weren't involved 3 years ago, and you saw those figures that were in some of the testimony.

The improvements that could be made are like the Competition in Contracting Act, Gramm-Rudman, ABC Regulations, where the Civil Rights Commission said the FAR's are unfair to nonminorities. We have to watch and ensure that the program and the people that are supporting it are aware that it is a business development program and that, as far as we know, it is basically separate from these other regulations that come up. So I feel that probably next year it could be ABC or whatever. And these are misinterpreted by the people all the way from the engineers to the contracting officers to the SADBUS that, "We can't do 8(a) any more," or, "We'd better be careful that we're complying with Competition in Contracting."

The last one I would like to make is, it's my understanding that the Small Business Administration has been notified that they will not be done away with. In the last year and a half, I have been told by several agencies that their statements indicate, quote, unquote, "Well, it looks like the SBA is out of business." Well, an agency that has that attitude has very little reason to worry about the 8(a) program because they saw that there was a movement going on that the whole small business community was not being looked after politically when you have an agency dealing with small business being under attack.

At a recent White House conference, it was one of the most firmly forefront issues that the SBA should be strengthened and remain separate, and I believe that from the bottom of my heart. We have to have an advocate in there somewhere, and we have to be watchful, as small businessmen, so that we can get to be the large businesses that we've been testifying that we're capable of. But I think a combination of the three. I hope I was brief and succinct enough in my remarks, and thank you.

Mr. RICHARDSON. You certainly were. Do any of the other witnesses wish to elaborate on this subject—on the question I asked? Mr. Romero.

Mr. ROMERO. I agree with Don. The magnitude, as I mentioned earlier, of that 5 percent DOD bill, is extremely important. New legislation should be seriously considered. You know, Congressman, sometimes the SBA has a problem. They're either understaffed or don't care, whatever the case might be. And I'm not talking about the local office; I'm talking about the SBA in general.

I do believe that the same type of amendment that was sponsored by Congressman Gray should be looked at as far as the other agencies are concerned. But perhaps the most important thing that Congress could do is to take a good look again at Public Law 95–507, which states that contractors, prime contractors, should have a subcontracting plan where minority contractors are given a piece of the action—10 percent.

We have been abused by one particular contractor, a very large contractor. In their proposal, they were very eloquent on how they were going to use us for 10 percent of their work. To this day, we have yet to get 1 percent or anything from that contractor. So there are abuses in having a subcontracting plan that is not utilized. If you would take a serious look at Public Law 95–507, Congressman, I think you'll agree with me.

Mr. RICHARDSON. Put some teeth into the existing law?

Mr. ROMERO. That would be up to you, Congressman. I'm not saying that you should do this and you should do that. That doesn't do anything to those who don't comply.

Mr. RICHARDSON. Mr. Chavez and Mr. Archuletta, do you wish to elaborate?

Mr. CHAVEZ. Yes. My experience, Congressman Richardson and Congressman Torres, has been—I think one of the main things that the small contractor is faced with is really on the bonding and financial situation. Presently we have a 90-percent SBA-backed loan. However, it has become very difficult to try to get these loans.

We also have the bonding, that is, to get some assistance at times from the SBA. It is particularly difficult for a contractor to really get to start the work. I think these are two items that are very important that you gentlemen can look at that are problems. The program for assisting a contractor on getting a 90-percent backed loan from the SBA is, we have been told, only for either veterans or handicapped people. And I believe there is a problem there that needs to be looked into to ascertain why these funds aren't available.

Also, we understand in the bonding area it becomes a little difficult because of lack of funds, and I think these two areas can really be looked into and they could be helped.

Also, we hear that the SBA is going to be in existence for a while, and I think that that is something in the right direction. I think it should be that way.

Mr. RICHARDSON. Mr. Solimon and Mr. Archuletta.

Mr. SOLIMON. I would just like to follow up on my response to Congressman Richardson, and that is that I feel that your whole approach is most appropriate, one where the existing laws are examined and are sought to be enforced, and the other is that new

laws be created. I think the agenda of tribally-owned corporations is different from that of individual entrepreneurs in creating new business activities under SBA programs. I feel that this deserves a special look.

I also at this time do not have any specific recommendations for legislation, but I feel that it's up to other Indian tribes that have been doing something similar to what Laguna has been doing to develop, perhaps, legislative changes or suggestions for changes in the existing law.

Mr. RICHARDSON. Mr. Solimon, I would like you, since your tribe has taken such a positive initiative, to perhaps assemble the other pueblos and Indian tribes in New Mexico and come up with some legislative language to present to the delegation. Since you have been the leader and you have been successful, I think it would be incumbent upon you to take this leadership role and come to us with a consensus piece of legislation because when you look at the economic development in Indian tribes, if we're thinking of increased budget outlays from the Federal Government, that's not going to happen. In fact, as you know, they're going to be decreasing. So there has got to be economic development with the private sector or with the Federal Government. We've got such a range of military activities here that it is a very fertile ground, and I would hope that you pursue that. Mr. Archuletta.

Mr. ARCHULETTA. I think that enforcing the existing laws should come first. And if there is need for new, additional laws, then they should be considered. By enforcing existing laws, I think a lot of the negative attitudes of the buyers on the bases within the State would be eliminated. We already have laws on the books, so let's enforce them. I think then things will come along fine.

Mr. RICHARDSON. I want to thank you gentlemen. I have to excuse myself for about 5 minutes. Congressman Torres will proceed with our next panel. But I just want to say that once again I wish to thank you for the work that you've done and for your pioneering efforts. Hopefully in 10 years the need for these hearings will no longer be needed and we will have a flourishing 8(a) operation in our State.

Phil Ramos, I know, is a very positive and active advocate for the 8(a) program, and it has grown tremendously under his tenure. And I think it's important that we give those Small Business Administration officials credit—we can criticize them all we want, but if they have to worry year by year whether they're going to be in operation, it's hard to promote economic stability within any kind of 8(a) contracting.

So let me just thank all of you for your contributions today. I would like to turn the microphone over to Congressman Torres to bring on the next panel. We're running a little bit slow. We do have the military installations and the Federal installations that will, I think, be the real highlight of some of our questions, and we hope that you stay around and proceed with our next panel.

Mr. TORRES. Thank you, Mr. Chairman. We're going to excuse the witnesses at this point.

I'm going to call at this time, and I would like you gentlemen and ladies to come forward. On panel 2 we're going to hear from a group of associations that deal with the small business people, the

minority groups, minority entrepreneurs. Our first witness is Mr. Stephen Denlinger, who is the director of the Latin American Manufacturers Association, headquartered in Washington, DC. We would like to call forth Ms. Anna Muller, who is representing the National Economic Development Associates, NEDA. These two people will present their testimony. As I said and as the chairman has said, your entire statement will be entered into the record without objection. I would ask you that, in the interest of expediting the hearing, you try to summarize your statements. I call upon Mr. Denlinger to be the lead-off witness. Mr. Denlinger.

TESTIMONY OF STEPHEN DENLINGER, DIRECTOR, LATIN AMERICAN MANUFACTURERS ASSOCIATION [LAMA], WASHINGTON, DC

Mr. DENLINGER. Thank you very much, Congressman Torres, for having me here. As you know, I have been in these vineyards for many years, and it is my pleasure to be here and have a few words at this proceeding today.

I would like to recognize the fact that Ed Romero is a member of our board of directors and that several members of our association are present in the audience today.

Mr. TORRES. Mr. Denlinger, do you have that statement that the committee might have?

Mr. DENLINGER. I'm sorry. I was notified of the hearing when I was at a conference in Miami, and I did not have an opportunity to prepare a written one.

Mr. TORRES. Very well.

Mr. DENLINGER. I come here not as an outsider, Mr. Chairman, but in fact New Mexico is my first American home. I grew up in Latin America. When I came to the States in my early twenties for college, I came to the University of New Mexico because somebody told me there was a place out there called the Southwest, where a lot of people spoke Spanish. I did my undergraduate work there, and I also worked intensively in community action programs through the University of New Mexico.

I think what I will try to do today is provide an overall context that might help facilitate the dialog in the overall. We very seldom hear that the minority business programs are working. But in the overall through the 8(a) Program some 18 billion dollars' worth of contracts have been awarded in light of the 8(a) Program. That is a very big success story. $2.5 billion were awarded under the 8(a) last year.

Mr. TORRES. Mr. Denlinger, would you suspend for a minute? The Chair would ask those people in the back of the room to cease audible conversation so that the witness may be heard. Thank you. You may proceed, sir.

Mr. DENLINGER. Thank you. Last year, Hispanics received from Federal agencies over $1 billion in contracts, a combination of 8(a) and non-8(a). Today it is interesting that you have an 8(a) Program that is ranging in awards up to $100 million. I remember back 10 or 12 years ago when a $100,000 contract was considered a large one. I remember not too long ago when a $1 million contract was considered a large one. Today it is not uncommon for there to be

awards in the range of $25 million, $50 million and $100 million. We are all gratified, Mr. Chairman, that the Department of Defense has instituted the 5-percent minority business goal that was directed by the Congress.

At our most recent national conference with the Hispanic caucus, which your leadership helped to sponsor, as you know, we had the Deputy Secretary of Defense, William Taft, reaffirm the Department's commitment to that 5-percent goal. We also had each of the Assistant Secretaries representing each of the Departments there also to recommit themselves to that goal.

The Assistant Secretary of the Air Force acknowledged that the Air Force was lagging behind the other military agencies and that they would do more.

I think all of these things indicate that there is a very solid, positive trend in the overall. The rate of Hispanics involved in technical and high-technology pursuits nationwide is really quite astounding. In fact, there are firms involved in missiles, in aircraft, armored personnel carriers, C-3 communications.

West Tech, of New York, as you know, is building causeways for the rapid deployment force. That's a $130 million contract, to date. Ansco Systems and Research is attempting to get a contract with NORAD. SDI's contract is on the order of $39 million for SDI work at the conventional arsenal. CTA, as we heard earlier, has a $6 million contract to integrate missiles to the F-18 fighter. Industrial Panoramics, a company in your district, and you labored together to help them secure a historic award from the FAA, a highly technical contract on the order of $50 million.

A company in Colorado, a member of ours, is building a system for star wars which will replace a critical system that was jeopardized by the Walker spy case. Another company in the southeastern part of the States, in telecommunications, has gotten $50 million in contract awards for servicing the Air Force installations and the GSA network in that part of the country.

With respect to the overall context of the relative successes of minority business programs, it is important to understand why there is a degree of dissatisfaction in New Mexico and in the Southwest.

First of all, you are familiar with the historic pattern of other organizations in Federal contracting. Hispanics historically have represented 20 percent of the 8(a) portfolio and approximately 15 percent of the contracts. Although that situation has been changing recently, there is a legacy, there is a residue, there is a bad feeling. And people ought to understand that when Hispanics express frustration, it is a part of that picture.

As part of that, we are pleased to comment that the SBA had a national conference, and there are some new initiatives for region VI, which includes New Mexico, to increase Hispanic participation in the 8(a) Program and the awards of contracts to Hispanic firms.

Beyond this historic pattern of underrepresentation of Hispanics, the Southwest—I hate to use this word, but the Southwest, in general, has been kind of a backwater in the 8(a) Program. So rather than being an active participant in the 8(a) Program to help correct that overall national deficiency, the Southwest and New Mexico have been kind of a backwater in the sense that the con-

tracts have been fewer, they have been smaller. There has been a lack of enthusiastic utilization of advance payments and BDE, which are key programs that the SBA has to make the program a success.

I learned last week, for instance, that on the eastern seaboard there are advance payments ranging up to $10 million and $15 million for a single contract. And if you examine the pattern out here in the Southwest, you will find the utilization of advance payments very, very seriously lagging. It's the same way with the BDE Program.

Over the years, the national office has allocated BDE for equipment and price differentials to its various regions. And the pattern in the Southwest has been for that BDE to wind up going back to the central office because it was not utilized and then going out to other districts, particularly the eastern seaboard, where those moneys have been utilized.

So generally speaking, there is a sense here in the Southwest and in New Mexico in particular that in other parts of the country the 8(a) Program is doing very, very well. And so it sticks in their craw to see that. And then it is the final frustration, when they're marketing their capabilities over here, to run into the SADBUS that are unresponsive, to run into technical people that are unresponsive. And I think that is the nature of the region, in a most general sense.

We have our successes. CTA, for instance, a member of our association, is doing very well with Apple Tech, an office automation program. Mr. Romero mentioned CIPA, competition in contracting. There tends to be a feeling that the manner in which CIPA is implemented routinely ignores the 8(a) exclusion, and that's really a pernicious element that is buried that we encounter. We find over and over again that Public Law 95-507 is ineffective. One of the reasons for the hue and cry across the country for more time in the 8(a) Program and for more contracting under the 8(a) Program is that Public Law 95-507 has not lived up to its expectations. Generally speaking, subcontracting under Public Law 95-507 for minorities ranges nationwide somewhere in the area of one-tenth to two-tenths of 1 percent nationwide. We ought to be making a new effort on the C-17 weapons system to see if we can improve that percent substantially. But you can understand why a person isn't very anxious to do business with the military installations out here directly, because they don't see the Public Law 95-507 subcontract monitoring as an effective alternative.

In New Mexico there is a—I say this only in a general sense, not terribly specific, only in the sense to try to help understand what's going on here. We really have two sections. There is New Mexico and the small business sector there, the indigenous population, and then we have sort of superimposed on the State of New Mexico, on these laboratories and military installations, a tier of outside technocrats that are running these programs. And what I sense here is that the constituency feels there is a certain elitist attitude in the sense that these people that run these programs are not oriented toward small business or indigenous business in New Mexico, but they are oriented toward the large contractors that are located outside of the State.

There is the sense that they are more oriented toward these companies because they're familiar with them. They came from these companies, many of them came from these parts of the country, like Berkeley, where the labs are headquartered, and the East Coast, where the major private contractors and Government are located.

So as these people look at small business here, they're more interested in doing business with large business because when they leave Government, chances are that they're not going to want to go to work with an 8(a) contractor, they're going to go to work with a large contractor.

So we have this two-tiered sort of feeling here in the State, with a tier of technocrats running these programs. And it's very significant, because we're not terribly certain of the accuracy of this statement, but generally speaking, it appears to us that New Mexico, on a per capita basis, probably has more Federal dollars in the State on a per capita basis than most every other State. That may not be exactly accurate, but it is instructive. And if that's even close to accurate, the shortfall of participation by minority firms here in Federal contracting is another element that explains the sense of aggravation that you're going to hear this morning.

The history of the SADBUS—one in particular at Kirtland who is no longer there, had a very patronizing attitude, was very unreceptive. I know because I dealt with that person myself. I think I was one small part of the overall process that wound up with that person being replaced by Mr. Aragon, who I understand from my staff is very good and very receptive, and we're certainly glad to see an important change there.

I think, in summary, the sad situation of the historic pattern of underrepresentation spans across the board in Federal contracting. Generally speaking, the Southwest has been a backwater area, as far as Federal contracting is concerned. New Mexico is probably, among the Southwestern States, one of the worst with respect to the utilization of these programs. And the situation where the leadership of the district office in earlier years was unreceptive to the 8(a) program and the utilization of its special components, like advance payments and business development expense. There is the sense that business grows from large, outside companies. And there is a fallacy that if you're going to do business with MBE's, it's got to be small contracts, particularly in nontechnical areas. There is a sense that there is a misapplication of the CIPA, Conflict in Contracting, and a history of unsupported SADBUS and an unpleasant history.

I think the kind of action that is needed is essentially an awareness by the leadership of these installations that we do have this kind of historical context, and it requires moral leadership. And I think that in developing the plans, for instance, for meeting that 5-percent DOD goal, there has to be a recognition that a special emphasis or some new and innovative approaches are going to have to be done.

And I don't think there's anything terribly complicated about it. I think that what is needed is to engender a greater degree of receptivity as to the firms that are located here in New Mexico, a greater emphasis on trying to do business with them, and a specific

outreach that says, "Yes, we really are interested in doing business with you," a change in attitude, "Let's see how we can do business with you," instead of, "How can we avoid doing business with you?" When a firm comes to the table, saying, "We don't have a track record in this particular discipline, but we have highly qualified people in those disciplines on our staff," then that firm ought to be given a chance to perform.

I think we need to change the mentality. I don't think we're talking about overnight 8(a) companies in this area getting $50 million contracts, but I think we are talking about a change in the attitude away from the small contracts and the nontechnical contracts.

And Congressman Torres, I would like to ask you if you would ask Congressman Richardson, when Los Alamos Laboratories comes up, which is in his area, to ask them if they have awarded any technically oriented contracts out of Los Alamos Laboratories. And if so, "How large is it?" or, "How large are they?" and,"What kinds of things are they?" There is a tendency to stick to the janitorial kinds of contracts or the landscaping kinds of contracts and not move into some of the more technical areas.

I think the leadership in these installations needs to know what's happening in the 8(a) Program around the rest of the country so they can get a more enlightened attitude toward the kind and scale of contracts that can be successfully awarded to minority firms.

I think that really summarizes my thoughts, Congressman. I want to thank you very much for allowing me to be here, and I want to publicly thank you for your work and support in sponsoring our National Issues Conference in Washington, DC, which I think establishes for the record, both on the side of the Congress and on the side of the Defense Department, a very unambiguous commitment to the 5-percent goal. Thank you very much.

Mr. TORRES. Thank you, Mr. Denlinger, for your very excellent testimony and for what I would state to be a substantial list of grievances and also recommendations on how we might shore up the deficiencies.

I'm going to deviate a little bit from the format in having just two associations provide testimony for us at this time only because we have a business representative who was unable to be here earlier, and we would like to hear him at this time. We're going to call forth Mr. Richard Catanach, of Tierra Engineering Consultants, to come forth and provide for us his testimony. Again, I think you should know that your statement in its entirety will be entered into the record, without objection. We will ask you, in the interest of time, to essentially summarize your own statement. And once having heard from you, then we will hear from Ms. Anna Muller, of NEDA. You may proceed, sir.

TESTIMONY OF RICHARD CATANACH, OWNER, TIERRA ENGINEERING, SANTA FE, NM

Mr. CATANACH. Congressmen Torres and Richardson, I apologize for being tardy. If it had been possible for me to be here, I would have been here, I assure you. Thank you for taking me at this time, Congressmen, today.

I would like to first of all introduce myself. I'm Richard Catanach. I'm the head of a small engineering firm here in Santa Fe. We employ about 25 people. We are a minority business and are locally owned and operated by myself and my partner, Thomas Ortiz.

Over the past 5 years or so, our firm has attempted to do work with several Government agencies, several of which have been very successful. We have had some in which we have had a number of problems. I have made Congressman Richardson aware of these problems, and I'd like to share them with this committee today, if I could.

The question is one that many firms and many people this morning have addressed to you, and that is the possibility of an equitable distribution of work. In our dealings with the U.S. Army Corps of Engineers and with the Department of Energy, we find that these firms are very much involved in the equitable distribution of work. In fact, in a case where we do work for the U.S. Army Corps of Engineers, since we have an ongoing contract, we're not allowed to compete for another one, and that is very much to our satisfaction.

A problem has arisen recently with the Bureau of Reclamation in which our firm submitted a proposal and we were not awarded the proposal. And during the debriefing process, it became very apparent to us that the Bureau of Reclamation was very much favoring work with ongoing contractors and previous contractors, which they have knowledge of their experience.

We felt that this was an unjust process. We appealed that to the Government Accounting Office, and the Government Accounting Office indeed held for the Bureau of Reclamation, that that was the policy. The Bureau of Reclamation was very clear in their comments to us that, in their opinion, they would continue to award contracts to the same firms as much as they could, up to where the firms could not do their work anymore, if they felt they were best qualified. We feel that this is good to a certain extent, but it becomes detrimental after a point.

In that respect, I think that if you would look at New Mexico firms at least in our profession, the engineering profession, that are doing work for the Bureau of Reclamation in Denver, you'll find that there are none, at least that I could find.

There are two reasons for that. One is that they do, in my opinion, favor people within the Denver area and those that are doing work for them currently. Secondly, there is a degree of frustration that sets in after submitting proposals and none are awarded.

I think that my urging to this subcommittee would be that this process should be looked at and, if possible, that there be some type of inhouse method of allowing other firms to do work, rather than just the ones that are ongoing and have a lot of experienced people. I think that that is a problem, at least in our case.

There are suggestions to us to become an 8(a) firm or some other type of firm that are not feasible because 8(a), as I understand it, is a startup program. If it is a startup program, certainly we do not qualify. I see many 8(a) firms that, however, appear to have gone well beyond the startup period. But in that respect, I think that's a different matter.

So Congressmen, I would limit my remarks then to encourage that an equitable distribution of work somehow be achieved, not only for minority businesses, but for all businesses.

Mr. TORRES. Thank you, Mr. Catanach.

Ms. Anna Muller. Are you making any statement?

Ms. MULLER. Yes.

Mr. TORRES. Please proceed.

TESTIMONY OF ANNA MULLER, PRESIDENT, NATIONAL ECONOMIC DEVELOPMENT ASSOCIATES, INC. [NEDA], ALBUQUERQUE, NM

Ms. MULLER. Thank you, Congressman. I want to talk to LaVon French. I understand that you spent the weekend in Santa Fe, and I hope you spent a lot of money in our State. We're a poor State and we need it. I understand that Congressman Torres had a chance to visit my home town, Taos, and spent the weekend there, and I think that's great.

Congressman Richardson, I think the minority business community needs to thank you for all of the attention that you're bringing to the Federal procurement efforts in the State of New Mexico.

I want to identify myself. My name is Anna Muller. I am the owner and operator of NEDA, Inc., a business consulting firm that specializes in minority business development in the State of New Mexico. I have 16 years' experience in this field. One of my areas of consulting expertise is assisting minority business clients expand into the Federal marketplace in both the 8(a) Program and the competitive arena.

We represent approximately 40 of the 50 8(a) firms in the State, and we feel that we are very well versed in the capabilities of those 8(a) firms, both their financial capabilities and their worker capabilities.

The testimony of the 8(a) firms today, by the way, was very understated. I think a lot of it is because they were all native New Mexicans, and it is no great secret that native New Mexicans are very polite people. As a matter of fact, the Federal installations are lucky in this State that they have a very polite minority business community. I wish that Congressman Torres were here right now for my next comment, because in his congressional district in California, there would be a revolution.

Mr. RICHARDSON. I assure you that he will be back shortly.

Ms. MULLER. The portfolio of New Mexico 8(a) firms is fully diversified. Having been in this business for 16 years, I am really pleased to announce that I have never seen the strength of the 8(a) firms as great as it is right now, both in their financial capabilities and in their worker capabilities.

Although a number of Federal agencies have increased their 8(a) goals, the contract support goals established by the Federal community are totally inadequate—that really is an issue—to support the 57 firms in the program. Because requirement support goals are low, SBA is unable to secure and match sufficient 8(a) commitments from Federal procuring activities for New Mexico 8(a) firms. The Federal community needs to rise to the challenge and to very

expeditiously close the contract opportunity gap by increasing their 8(a) goals.

You know, I'm a little pessimistic about this fast-track effort because I think it can only be accomplished if the personnel involved in procuring activities, the technical staff, buyers, department heads, and engineers, are held accountable. I really feel strongly that their job performance evaluations must include their performance in the 8(a) Program, and outstanding performance needs to be rewarded.

Congressman Torres opened his opening remarks by saying that the intent of the law needs to be followed vigorously, and aggressively. We have heard testimony by 8(a) firms today that those obstacles are being encountered by buyers in the Federal installations, department heads and engineers. Unless the personnel are evaluated on how they vigorously and aggressively promote the 8(a) Program, it's going to stay in its feeble state in the State.

Too often we have experienced an enlightened Federal administrator—and my colleagues, Phil Archuletta and Don Bradley were talking about changes in the leadership of those Federal installations. That has happened to us numerous times, where we get an enlightened Federal administrator who takes a sincere interest in the 8(a) Program, and the administrator will increase the 8(a) goals a notch, and I know they do it only a notch, knowing how difficult it is to get full staff support and cooperation. The 8(a) firms, in their self-marketing efforts, encounter resistance from the technical staff, buyers, department heads, and engineers consistently across the State. I know because I have witnessed it with them.

The 8(a) Program is a business development program. I think Stephen has made comments about other aspects of that program not being utilized, but I think that is insignificant, in terms of advance payments and business development expense, because we don't have the contracts that are of a significant size. If we had those contracts and they were of a significant size, then we could bring all the other resources to bear on the program.

The 8(a) Program, in order to foster competitive viability, we need to have regularly received sole-source contract support, and I think that is the key element. And that key element in that whole business development process is the responsibility of the Federal procuring agencies, pure and simple.

In summation, we really need to open up dialog with the Federal community. I like talking to the congressional delegation, obviously, but we really need to start dealing with the Federal agencies. We have already brought the attention of the congressional community to this problem.

There was a problem at Kirtland Air Force Base. The major general personally got involved in the situation, and a committee was established immediately to work on these procurement problems, of which Don Bradley, from the 8(a) association, was a member. I think that shows the kind of moral leadership, Stephen, that you were talking about.

At the congressional delegation meeting that we had in February with the heads of all of the Federal installations, there was only one military installation that rose to the occasion to try and work

on these problems, and that was Kirtland. I thank you for your attention.

Mr. RICHARDSON. Thank you for some very candid and positive comments. We would like Congressman Torres to be here for some of the questioning.

Mr. Denlinger, let me first of all commend you for the work that LAMA has been doing, for its new energy and commitment to minority businesses, for your very successful conference in Washington, DC, and for your being here in New Mexico to show the commitment of an important national organization. I believe that what you have done at the national level has been outstanding.

I guess what I would like to ask you is if the Congress is exercising its right and its responsibility to ensure that 8(a) goals are being met, that small minority businesses are part of the action, what is the bottom line? What do we need to do? I mean, the issue is this: Do we focus on enforcing the existing law? Do we focus on putting teeth into that existing law? Or third, do we have to change the setaside goals to a higher number?

Do we have to beef up the Small Business Administration? Obviously, many of us want to do that, but they basically hang on and survive. What are the specific legislative congressional remedies that you would have Congressman Bill Richardson, Congressman Esteban Torres, Congressman Parren Mitchell, and the minority members of this committee introduce to deal with some of the problems that we are dealing with today? Anna Muller, would you say that we're basically behind in sensitivity relative to States?

Ms. MULLER. Absolutely.

Mr. RICHARDSON. Steve, what do you think? Answer my question in 30 seconds. I'm just kidding.

Mr. DENLINGER. I think the answers given to you by the gentlemen who were up here earlier were very good. It's a combination of all of the above, really. I think the very conduct of a hearing of this nature will certainly send a signal to the buying agencies that more has to be done.

I think that we have a very, very important new tool, and that is the 5-percent defense goal. One of the recommendations that we made to the Department of Defense officials who attended our conference was that each military installation, at the beginning of each fiscal year, as part of their plan, identify sufficient contracting requirements to support and meet that 5-percent goal. Without that kind of commitment, without that kind of explicit specificity, it's going to continue being a hit-or-miss proposition, with companies continuing to be frustrated, and so forth.

I think there is a need for a pilot-type authority, for the SBA to have pilot-type authority with respect to the defense agencies. The pilot program legislation, as you know, should be fairly close at this juncture, going forth to the President for his signature. The legislative history suggests that the pilot program will be placed back to the Department of Transportation. We had a 4-year pilot program with the Army, and it wasn't very effective because the Army resisted it and the SBA committed to it poorly and many of the 8(a) companies that were out there self-marketing were going after billion-dollar requirements, and it was just unrealistic.

We have been able to implement that pilot program much more successfully and in a much more controlled manner at the Department of Transportation. I think we have proven that an effective tool exists for identifying and holding on to requirements long enough for companies to be adequately considered.

What I hear from our constituency throughout the country over and over and over again is that they are routinely stiff-armed by procurement officials and technical officials, who simply out-of-hand reject them and do not fairly consider them.

With pilot-type authority, the SBA could hold on to that requirement until the agency exhausted its technical evaluation of the company, its managerial capacity, its financial capacity, and so on. In many instances, in most instances, in fact, when we have succeeded in getting the agency to take a close look at a company, they find that the company is well qualified and it can perform the requirements, and go on to negotiate an award.

So I think a 5-year plan that sets forth with specificity sufficient requirements at the beginning of each fiscal year to meet each installation's plan would be one specific recommendation.

Second, there is a B pilot program authority placed in the SBA for use with the Department of Defense. And as Mr. Romero said, I think the most grievous thing that we can put our finger on is the lack of any teeth in Public Law 95-507. It's an abomination that today we have a goal of 5-percent minority participation in direct defense contracts, and yet the prime contractors throughout the country routinely submit no goals or very low goals. If they were to meet even those goals and have a situation where the overall participation by minorities in major weapons systems in multiple billions of dollars all over the country, it would be somewhere in the vicinity of one-tenth to two-tenths of 1 percent.

Mr. RICHARDSON. Thank you very much. Congressman Torres, would you like to ask any questions?

Mr. TORRES. Not at this time, Mr. Chairman. I think, in the interest of time, I would like to just pass and give back the balance of my time to you.

Mr. RICHARDSON. Thank you, Congressman Torres. Anna Muller mentioned a very critical point just now. Ms. Muller, would you repeat your comment for the sake of this Congressman, who was out of the room?

Ms. MULLER. Yes, sir; I made the comment that the testimony of the 8(a) firms up here was very understated. And the reason why is because they're all native northern New Mexicans, and as you all know, we are a very polite people. We come from a very polite culture. If this situation existed, I'm sure, in your congressional district, there would be a revolution going on in California. So I think the Federal installations are very fortunate that they have a minority business community that is polite.

Mr. TORRES. Thank you for your comments. I have taken note of that this morning. Having participated in these field hearings for the committee across the whole country, on the West Coast, and in the Northeast, and the Southeast, this is my first time in New Mexico. I must say that I would echo your statement that the 8(a) contractors this morning were courteous gentlemen. I've been to a lot of hearings where there was acrimonious discussion and testi-

mony on the table. So I simply want to attest to what you have said.

Mr. RICHARDSON. I want to thank the witnesses for appearing.

I would now like to introduce our third panel. First of all, we'd like to have Maj. Gen. Joe Owens, Commander of the U.S. Army White Sands Missile Range. General, we thank you for coming. Also Lt. Col. David Peixotto, Commander of the Albuquerque District, U.S. Army Corps of Engineers; and Col. Raymond Podmenik and Ruthena Hamm, Commander and SADBUS, 833d Air Division, TAC, at Holloman Air Force Base. We would like to have Col. Boyce Wiltrout, Commander of the 27th Tactical Fighter Wing at Cannon Air Force Base; and the fifth witness, Col. Charles Thomas, Commander of the 1606 Air Base Wing at Kirtland. Gentlemen and ladies, welcome to this committee. We appreciate your being with us. Major General Owens, we will proceed with your testimony. Please proceed, General.

TESTIMONY OF MAJ. GEN. JOE S. OWENS, COMMANDER, U.S. ARMY WHITE SANDS MISSILE RANGE, NM, ACCOMPANIED BY RICHARD KAHENY, PROCUREMENT DIRECTOR, AND LUIS SOSA, SMALL BUSINESS ADVISOR

General OWENS. Members of the committee, it is a pleasure to come before you to discuss the Small Business Program.

Mr. RICHARDSON. Excuse me, gentlemen. Would you get that mike a little closer to you? And for the record, we do have your prepared statements fully inserted, and we'll ask you to summarize. But please do as you choose, Major General.

General OWENS. Can you hear me?

Mr. RICHARDSON. Yes.

General OWENS. Mr. Chairman, members of the committee, it is a pleasure to come before you to discuss the Small Business Program at White Sands Missile Range. Although I have been at White Sands Missile Range only 3 months, I have come to appreciate the job we are doing with small business and the 8(a) set-aside, especially when one considers our mission in state-of-the-art technology and research and development.

Although our assigned goal for the 8(a) set-asides is included in the overall Disadvantaged Business Awards Goal, we keep an accurate accounting of what we are accomplishing in the 8(a) Program, and I am very happy to report a positive trend at White Sands Missile Range for that program.

In fiscal year 1984 our assigned goal for disadvantaged business awards was $11.2 million, and we achieved only $6.5 million, of which just under $2 million was for the 8(a) Program. White Sands was without a Small and Disadvantaged Business Utilization Specialist, a SADBUS, from September 1983 to January 1984, and I'm sure that that had some effect on the program.

If you will look at the enclosures, the last three pages of the statement, for 1984 you will note that there were no high-technology projects awarded under the 8(a) Program. All projects were in the general construction field.

In fiscal year 1985, White Sands began to explore the 8(a) projects in high technology and research and development, and I

am happy to report that this effort is beginning to pay off. In fiscal year 1985 we awarded four high-technology projects, for a total of $2.8 million, or 39 percent of the $7 million total 8(a) awards. For the three quarters completed in fiscal year 1986, White Sands has reported 16 actions in the 8(a) program, 12 of which were in the high-technology or research and development areas. Of the $5.3 million at the end of fiscal year 1986 third quarter, $4 million or 76.9 percent of the high-technology dollar was awarded to the 8(a) Program.

I might also add, Mr. Chairman, that over 50 percent of the fiscal year 1986 high-technology dollars have been awarded to New Mexico 8(a) certified firms.

Although we are making progress in the small business arena, the White Sands Missile Range Small Business Program is not without its challenges. White Sands will be challenged in the future to continue this positive 8(a) trend. However, there are other goals, as you are aware, that need our support. When we do well in one area, such as the 8(a) Program, we cut into the available opportunities for small business set-asides and vice versa.

We are constantly looking for better and more efficient, economical ways to accomplish our mission at White Sands. One such method, from the management cost aspect, is the multiyear umbrella contract, such as our commercial activities project. Although from an administrative/management viewpoint, making big ones out of little ones may be preferred, it has the effect of decreasing the opportunities available to small businesses and 8(a) certified firms.

Another challenge to the small business program at White Sands is the White Sands high-technology mission. As I touched on previously, most of our contract dollars spent at White Sands are for pushing the state of the art. We're doing well in the 8(a) Program today, but it may be difficult to find small and disadvantaged firms well qualified in this area for future set-asides.

Last, Mr. Chairman, the White Sands Small Business Program will continue to be challenged because of the geography or location within the State of New Mexico. White Sands is located about 280 miles south of where we sit today and only 50 miles from our local community neighbor, El Paso, TX. There exist a limited number of 8(a) certified firms in southern New Mexico, and I am advised that Public Law 95–507 impedes 8(a) set-asides for our neighbors in Texas.

Mr. Chairman, White Sands will meet these challenges head on and strive to meet or exceed established small business goals. It has been a pleasure to address your committee and to have the opportunity to laud White Sands' Small Business Program.

I have brought Mr. Luis Sosa, our small business advisor, and Mr. Richard Kaheny, our procurement director, and we will be happy to answer any questions you have concerning our program at White Sands.

[General Owens' prepared statement follows:]

PREPARED STATEMENT OF MAJ. GEN. JOE S. OWENS, COMMANDER, U.S. ARMY WHITE SANDS MISSILE RANGE, NM

DEPARTMENT OF THE ARMY
U.S. ARMY WHITE SANDS MISSILE RANGE
WHITE SANDS MISSILE RANGE, NEW MEXICO 88002-5021

August 26, 1986

REPLY TO ATTENTION OF

Office of the Adjutant General

Honorable Parren J. Mitchell
House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Mitchell:

This is in response to your inquiry requesting information regarding the White Sands Missile Range (WSMR) Small Business Program.

First, let me assure you that WSMR is very supportive of all programs to assist small businesses to include the Small Business Administration's (SBA) 8(a) program. We will continue to strive to meet and exceed established program goals and look forward to the September 8 hearing in Santa Fe.

Enclosed is the information requested in your letter. A comparison of the goals and achievements is enclosed for current (3d quarter) Fiscal Year (FY) 1986 as well.

The SBA does not request requirements from WSMR without first receiving an 8(a) offer letter from the incumbent Small and Disadvantaged Business Utilization Specialist (SADBUS). The only exception has been recently when SBA in letters dated April 17, 21 and May 22, 1986 requested three projects which had already been identified for the 8(a) program, but which have not yet materialized as requirements.

Only two requests from the SBA have been denied. The Heating and Cooling Changeover and Custodial Services were both requested by SBA for continuance; however, it was determined that WSMR needed to "test the market" for reasonableness of prices. Justification for both of these declinations was that we have small business set-aside goals to consider as well; therefore, both requirements were directed to that program.

White Sands Missile Range, because of the nature of our mission, spends most of the contract dollars in the "State of the Arts" technology and research and development. The 8(a) set-aside opportunities in these "high tech" areas are much more difficult to ascertain than the usual 8(a) set-asides in custodial, grounds maintenance, etc. The incumbent SADBUS, with the assistance of a technical advisor, decides, from knowledge of the capabilities of 8(a) certified firms (those firms that have let their capabilities be known through "Marketing" at WSMR and/or "briefing" the WSMR technical community, including the SADBUS and technical advisor); and the Purchase Description of the item (or service) to be purchased, which requirements could possibly be set-aside for the 8(a) program. Matching is done by knowing the capability of the 8(a) firm, through their "marketing" and "briefing" activities, and recommending their firm(s) to the SBA for final decision on the match. WSMR reserves the right to "know before we go" with an 8(a) firm other than that recommended to SBA.

Because most of WSMR requirements offered to the SBA for the 8(a) program are accompanied by recommendations, none have been returned.

The Small Business Program at WSMR has been successful over the past several years in affording more and more opportunities to the Small/Small Disadvantaged Business Community. In particular, the 8(a) program of the Small Business Administration has become more prominent since the incumbent Small Business Advisor, Mr. Luis G. Sosa, came on board in October 1982.

8(a) Production at WSMR:

FY83	$2.2 million
FY84	2.0 million
FY85	7.2 million
FY86 (3d Qtr)	5.3 million

Fiscal year 1987 looks to be a good year for 8(a); however, it is becoming more difficult to exceed established goals.

WSMR Small Business Program Challenges:

a. Umbrella Contracts - From a management and cost aspect (budget) this may be preferred; however, "making big ones out of little ones" may decrease the opportunities available to Small/Small Disadvantaged firms.

b. WSMR has "High Technology Mission" - Most of the contract dollars spent at WSMR are in the "State of the Arts" technology and research and development. It is a challenge to find Small/Small Disadvantaged firms well qualified in this area, thus limiting set-aside opportunities.

c. SBA 8(a) Portfolio is Limited to Southern New Mexico - For budget or other reasons the Small Business Administration has only three Las Cruces firms and one Alamogordo firm in the 8(a) program. Northern New Mexico 8(a) firms do very little marketing at WSMR, and almost no competitive bids are received from these firms on small business (not 8(a)) set-aside requirements.

d. WSMR "Local" Community - of Las Cruces and Alamogordo, New Mexico, also includes El Paso, Texas; however, the state line empedes 8(a) set-asides to that portion of our "local" community.

Small Disadvantaged firms we have contracted with the past year:

a. 8(a) Acquisitions:

(1) Cortez III, Alamogordo - Calibration ($14.0 million), Janitorial ($1.3 million).

(2) Las Cruces Transit Mix, Las Cruces - Bituminous Crack Repair ($170,000).

(3) Ike Monty, Albuquerque - Road Repair ($2.0 million), Miscellaneous Construction ($500,000).

(4) Brooks Sheet Metal, El Paso - Heating/Cooling Changeover ($200,000).

(5) MACA, El Paso - Computer Services ($1,000,000).

(6) Science & Technology Corporation, Hampton, VA - Environmental Information Management Service ($100,000).

(7) Geoscience, Albuquerque - Toxic Spill Clean Up ($130,000).

b. Significant Non 8(a) Acquisitions:

(1) Smith and Aguirre, Las Cruces - Miscellaneous Construction (Utility) ($522,000).

(2) Compel, Las Cruces - Maintenance of Computers for Computer Systems Directorate ($1,014,352).

WSMR is proud of the Small Business program accomplishments for FY85 and FY86 to date. Prognosis for FY87 is still in question. Construction projects in the total amount of $9 million and high tech projects in the total amount of 10 million have been identified but have not been prioritized. If all the projects identified for the 8(a) program become requirements and are awarded to certified 8(a) firms, FY87 could be a banner year for the WSMR Small Business Program.

You can be assured that WSMR will continue to exert maximum effort to meet or exceed established program goals.

Sincerely,

Joe S. Owens
Major General, U.S. Army
Commanding

Enclosures

FY84

	GOALS	ACHIEVED
Small Business Objective	36.0%	27.3%
Small Business Set-Aside	24.0%	16.1%
Small Disadvantaged Business	$11.2 M	$ 6.528 M
*8(a) Awards		$ 1.997 M

FY85

	GOALS	ACHIEVED
Small Business Objective	31.8%	36.6%
Small Business Set-Aside	16.2%	17.3%
Small Disadvantaged Business	$11.0 M	$11.2 M
*8(a) Awards		$ 7.152 M

FY86
(THRU 3RD QUARTER)

	GOALS	ACHIEVED
Small Business Objective	32.6%	28.4%
Small Business Set-Aside	22.6%	14.1%
Small Disadvantaged Business	$ 9.6 M	$ 8.281 M
*8(a) Awards		$ 5.302 M

*Included in total Small Disadvantaged Business

FY84
8(a) AWARDS

1.	Irrigated Ground Maintenance	$ (117,683)*
2.	Road Repair	$ 98,289
3.	Irrigated Ground Maintenance	$ 26,125
4.	Heat/Cool Changeover	$ 32,465
5.	Heat/Cool Changeover	$ 80,427
6.	Heat/Cool Changeover	$ 63,799
7.	Irrigated Ground Maintenance	$ 146,603
8.	Bituminous Crack Repair	$ 82,800
9.	Heat/Cool Changeover	$ 404,333
10.	Road Repair	$1,180,000
TOTAL		$1,997,158

*Decreased Allocation

FY85
8(a) AWARDS

1.	Road & Pavement Repair	$1,521,468
2.	Combine Heat/Cool Ducts	$ 559,487
3.	Road Repair	$ 266,992
4.	Heat/Cool Changeover	$ (44,848)*
5.	Environmental Info. Mgmt. Service	$ 99,910
6.	Soil Contamination Assessment	$ 41,106
7.	Road Repair	$ 327,501
8.	Custodial Services	$ 339,010
9.	Soil Contamination Assessment	$ 91,448
10.	Custodial Services	$ 334,864
11.	Heat/Cool Changeover	$ 180,173
13.	Bituminous Crack Repair	$ 89,729
14.	Custodial Services	$ 334,823
15.	Heat/Cool Changeover	$ 65,010
16.	Custodial Services	$ 341,836
17.	Calibration Service	$2,575,437
TOTAL		$7,152,069

*Decreased Allocation

FY86
(THRU 3RD QUARTER)
8(a) AWARDS

1.	Computer Systems Support	$ 233,919
2.	Custodial Services	$ 798,425
3.	Computer Systems Support	$ 120,000
4.	Environmental Info. Mgmt. Service	$ 55,000
5.	Computer Systems Support	$ 53,007
6.	Environmental Info. Mgmt. Service	$ 329,095
7.	Custodial Services	$ 344,216
8.	Custodial Services	$ 231,179
9.	Computer Systems Support	$ 60,000
10.	Calibration Services	$2,681,882
11.	Meteorological Field Test Data Mgmt	$ 95,000
13.	Environmental Info. Mgmt. Services	$ 37,966
14.	Environmental Info. Mgmt. Services	$ 204,010
15.	Computer Systems Support	$ 150,000
16.	Fiber Optic Data Relay System	$ 56,413
TOTAL		$5,302,371

Mr. RICHARDSON. Thank you very much. Colonel Peixotto.

TESTIMONY OF LT. COL. DAVID E. PEIXOTTO, COMMANDER, ALBUQUERQUE DISTRICT, U.S. ARMY CORPS OF ENGINEERS, SANTA FE, NM

Colonel PEIXOTTO. Mr. Chairman, Congressman Torres, it's a pleasure to have the opportunity to testify on the performance of the U.S. Army Corps of Engineers in the development of small disadvantaged and minority businesses in New Mexico. I am Lt. Col. David E. Peixotto, the Commander of the Albuquerque District of the U.S. Army Corps of Engineers. Accompanying me today is Mr. Ron Breen, our small and disadvantaged business utilization advisor.

As background, the Albuquerque District is one of five corps districts which fall under the southwestern division of the corps, headquartered in Dallas, TX. The Albuquerque District is responsible for all corps civil works activities in New Mexico and portions of Colorado and Texas. These functions include the construction and operation of flood control projects and other water resource activities.

In addition to our traditional civil works mission, this year we have assumed responsibility for all military construction in New Mexico, except at White Sands Missile Range, where it will still be performed by the corps' Fort Worth District. However, I have obtained data from the Fort Worth District and shall testify on the entire corps Minority Business Program throughout New Mexico.

The Albuquerque District also provides engineering and construction support to other agencies, principally the Department of Energy. This, briefly, is the mission of the Albuquerque District.

The Army Corps of Engineers fully supports the small and disadvantaged business programs as prescribed by the Small Business Act. In fiscal years 1984 and 1985, the Corps of Engineers placed 64 percent of its total awards with small business and 10 percent with small disadvantaged businesses. These percentages well exceed the established goals. Corps-wide in fiscal year 1984, $421 million of work was placed with small disadvantaged businesses which far exceeded the corps' goal of $300 million. In fiscal year 1985 the corps again exceeded its goal of $334 million by placing $449 million of business with small disadvantaged businesses.

In the Albuquerque District, we work very closely with the local offices of the Small Business Administration to effectively manage the small and the minority business programs. With a significant portion of New Mexico's population being Hispanic and Native American, we take very seriously our social responsibilities, as a Federal agency, to assure that a proper share of our contracting is with minority owned firms. Additionally, my own staff is 45 percent Hispanic and Native American.

The Albuquerque District has been very successful in meeting our disadvantaged business goals. For example, last fiscal year we nearly doubled our goal, and so far this fiscal year we are 35 percent above our goal.

In the case of the Corps of Engineers, most of our minority contracts are with construction firms.

The remainder of my testimony is sequentially keyed to your letter of August 19, 1986, requesting that specific information be included in this testimony.

First, goals for small business awards are set by agreement between the Small Business Administration and the Department of Defense and then allocated to the Corps of Engineers through command channels. The corps headquarters then provides goals to our division office in Dallas, TX. These goals are not further allocated to the district level, since due to the large number of small firms in the engineering and construction business, the corps is able to consistently meet its small business goals.

In the Albuquerque District, we placed $17.2 million with small businesses in fiscal year 1984 and $9.2 million in fiscal year 1985, due to a greatly reduced construction program.

Concerning small disadvantaged businesses, which is the focus of today's hearing, the Albuquerque District does not receive separate goals for small disadvantaged subcontracting or for direct awards to small disadvantaged concerns. Instead, we receive one goal for total small disadvantaged contracting. However, we do report to our Division office listing 8(a) awards, direct disadvantaged awards, and disadvantaged subcontract awards separately.

In fiscal year 1984 we did $4 million of business with small disadvantaged businesses and achieved 100 percent of our goal—$3,548,000 8(a), $491,928 direct, 0 subcontract. In fiscal year 1985 we did $3.7 million of business with small disadvantaged business and achieved 184 percent of our goal—$1,461,604 8(a), $382,662 direct, $1,846,000 subcontract. This fiscal year we have already achieved 135 percent of our goal—first two quarters: $659,955, $345,648 8(a), $136,333 direct, $177,974 subcontract; to date $5,418,052—135 percent—$4,715,467 8(a), $524,611 direct, $177,974 subcontract.

In addition, in fiscal year 1984 and 1985, the Fort Worth District negotiated and awarded all contracts for corps work performed on military installations in New Mexico. Under the 8(a) Program, the Fort Worth District awarded $1.2 million in New Mexico to small disadvantaged firms in fiscal year 1984 and $2.6 million in fiscal year 1985.

Second, Albuquerque District 8(a) contract awards: The following is a listing of the specific 8(a) contracts awarded by the Albuquerque District in fiscal year 1984 and 1985.

Fiscal year 1984, contract DACA47-84-C-0003—awarded to Cavern City Construction Co., Aug. 31, 1984, in the amount of $310,029 to construct an auxiliary storage facility, Carlsbad, NM.

Contract DACW47-84-C-0007—awarded to Cavern City Construction Co., Dec. 2, 1983, in the amount of $35,413 to remodel a warehouse, Carlsbad, NM.

Contract DACW47-84-C-0014—awarded to Cavern City Construction Co., Feb. 22, 1984, in the amount of $133,790 to construct a core storage warehouse, Carlsbad, NM.

Contract DACW47-84-C-0031—awarded to Cavern City Construction Co., Apr. 26, 1984, in the amount of $40,102 to remodel an information center, Carlsbad, NM.

Contract DACW47-84-C-0040—awarded to Cavern City Construction Co., July 27, 1984, in the amount of $1,518,110 to construct a guard and security building, Carlsbad, NM.

Fiscal year 1985 contract DACW47-85-C-0029—awarded to TMS Building Maintenance, Mar. 29, 1985, in the amount of $35,611.24 to provide operation and maintenance services at Conchas Lake, NM.

Contract DACW47-85-C-0035—awarded to J.A.R. Concrete, Inc., June 3, 1985, in the amount of $1,719,187.63 to modify an embankment and spillway at Abiquiu Dam, NM. This contract is incrementally funded over 2 or more fiscal years.

Fort Worth District 8(a) contract awards in New Mexico:

Fiscal year 1984, contract DACA63-84-C-0104—awarded to J.T. Construction Co., El Paso, TX, in the amount of $305,000 to construct a gymnasium at White Sands Missile Range, NM.

Contract DACA63-84-C-0118—awarded to Marina Construction Co., Albuquerque, NM, in the amount of $809,000 to construct a measurement laboratory at Kirtland AFB, NM.

Fiscal year 1985, contract DACA63-85-C-0124—awarded to C.M.A. Inc., El Paso, TX, in the amount of $560,640 to install aircraft maintenance area lighting at Holloman AFB, NM.

Contract DACA63-85-C-0169—awarded to Ike Monty Construction Co., Albuquerque, NM, in the amount of $1,999,000 to construct a countermeasure facility at White Sands Missile Range, NM.

There were so SBA requests for requirements for award under the 8(a) Program during fiscal year 1984 and fiscal year 1985 which were denied.

In selecting contracts for award under the 8(a) Program, we used the following procedures. Prior to the beginning of each fiscal year, an acquisition plan of all known requirements for the following fiscal year is prepared. Each project is scrutinized to determine whether or not it is susceptible to being accomplished by qualified 8(a) firms. The Albuquerque District SADBUS maintains a file of all known 8(a) contractors together with their qualifications provided by either the contractor or SBA. The criteria used here are the complexity of a project and its size.

Once a project or acquisition is identified as being susceptible to 8(a) contracting procedures, the district's technical staff, together with the SADBUS, attempts to match projects with specific 8(a) contractors. The major factors involved in matching an 8(a) contractor to the acquisition are the contractors' technical qualifications, their experience and their bonding capacity if it is a construction project. Our recommendation is forwarded to the Small Business Administration. Final selection of the 8(a) contractor for certification of the particular requirement is the responsibility of SBA. When there is an acquisition considered susceptible to 8(a) contracting but there are no known qualified contractors, the SBA is asked to provide a recommended contractor.

Once the proposed 8(a) set-aside plan is drafted and placed in the district's overall acquisition plan, it is disussed and coordinated with the SBA District Office in Albuquerque. The projects are discussed with the specific 8(a) contractors to assure interest, capabil-

ity, and bonding capacity. Finally, the projects are then formally offered to the SBA regional office in Dallas, TX.

One other criterion considered during the formulation of the acquisition plan are time constraints for 8(a) contracting. It takes approximately 4 to 5 months to negotiate and award an 8(a) contract. This contrasts with normal competitive sealed bid contracts, which are not negotiated and can normally be awarded in approximately 2 months. Therefore, we will usually not consider late start construction projects as being susceptible to 8(a) contracting procedures.

For the period fiscal years 1984 and 1985, there were no requirements offered to the SBA under the 8(a) Program which they subsequently returned.

The only further comments I wish to make pertaining to the subject matter are as follows:

First, of all Federal agencies operating in New Mexico the Albuquerque District had the highest percentage rate of small business set-asides during fiscal year 1985—75.6 percent.

The Albuquerque District is optimistic that, since assuming the entire military mission in the State of New Mexico, with the exception of White Sands Missile Range, the section 8(a) Disadvantaged Contracting Program will be enhanced. I believe we are in a better position to be aware of all available New Mexico 8(a) contractors and their qualifications. An example of this is shown by the fact that three of your six business witnesses are firms that do business with the Albuquerque District. One just completed business, and the other two are currently doing business with us.

Mr. Chairman, that concludes my testimony.

Mr. RICHARDSON. Colonel, I think you've done well, and I thank you for your testimony.

Our next witness will be Colonel Podmenik. Colonel, do you have a prepared statement?

Colonel PODMENIK. We've already passed it in, sir.

Mr. RICHARDSON. Please proceed.

TESTIMONY OF COL. RAYMOND PODMENIK, 833D AIR DIVISION DEPUTY COMMANDER FOR RESOURCE MANAGEMENT, REPRESENTING GEN. JAMES F. RECORD, HOLLOMAN AIR FORCE BASE, NM

Colonel PODMENIK. Mr. Chairman and members of the committee, I'm Col. Ray Podmenik. I'm the 833d Air Division Deputy Commander for Resource Management at Holloman Air Force Base. I'm representing Gen. James F. Record, who is the Commander of the Air Division. Today I have brought with me Ms. Ruthena Hamm, who is our disadvantaged business utilization specialist and also the deputy contracting officer for the 833d Air Division.

I would like to briefly cover our performance since 1984 to just give you an idea of our progress in the small business community.

In fiscal year 1984, we were given a goal of 2.4 percent from Headquarters TAC for an 8(a) set-aside, of which we actually achieved 3 percent. In dollars, that was $682,000. In 1985, this goal was increased to 3 percent or $700,000, of which we actually awarded $1 million of 8(a). And then in 1986, the 5 percent that you have

heard previously mentioned by other witnesses was passed to us from Headquarters TAC as our goal. As of the third quarter, we are spending about 18 percent of the goal for the 8(a). Now we do expect that that 18 percent will tend to decrease because of awards of other contracts as we hit the end of the fiscal year. They will not be below 5 percent.

The way that we handle the 8(a) contracts or potential contracts, if you will, at Holloman is in the beginning of the fiscal year. The majority of our contracts under the 8(a) Program are construction contracts. We are a basic Air Force base, with fighters and training aircraft. We are not a high technology outfit.

Projects to be offered for 8(a) opportunities are selected jointly between the small and disadvantaged business utilization specialist, Ruthena Hamm, and the Civil Engineering Office, since they are mainly construction-type contracts. After that review of Civil Engineering, they take their prioritization factors from TAC. Just one meeting is held. A CMD joint meeting is held and the projects are selected from those expected to be funded during the current fiscal year. We do not match 8(a) firms with our requirements. This is a function of the Small Business Administration. If we are aware that a small business has self-marketed a particular job, we will inform the SBA of this. However, matching the contractors to jobs offered is not our prerogative. We identify the contracts for potential projects and forward them on to the SBA in Albuquerque, and they in turn identify those contractors that we will have doing that job.

Our opinion and relationship of 8(a) contractors at Holloman Air Force Base is one of, we believe, mutual respect. The contractors who have performed at Holloman Air Force Base are good contractors. They have met schedules. They have sometimes been ahead of schedule. And over the last couple of years that Ms. Ruthena Hamm has been handling the process, we feel the performance is excellent, and we don't really perceive that we have a problem with 8(a) contracts, per se. This concludes our opening remarks.

[Colonel Podmenik's prepared statement, with attachments, follows:]

PREPARED STATEMENT OF COL. RAYMOND PODMENIK, 833D AIR DIVISION DEPUTY COMMANDER FOR RESOURCE MANAGEMENT, REPRESENTING GEN. JAMES F. RECORD, HOLLOMAN AIR FORCE BASE, NM

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS 833D AIR DIVISION (TAC)
HOLLOMAN AIR FORCE BASE NM 88330

OFFICE OF THE COMMANDER

SUBJECT: Small Business (Your Letter, 15 Aug 86)

TO: Congress of the United States
House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

1. Due to prior commitments, I will be unable to attend the field hearing in Santa Fe on 8 Sep 86. However, my Deputy Commander for Resource Management, Colonel Raymond Podmenik; and Mrs Ruthena Hamm, Small and Disadvantaged Business Utilization Specialist, will attend. The written testimony requested is as follows:

(a) FY 1984 and FY 1985 goals for small business awards, 8(a) awards, and direct small disadvantaged business awards as well as the actual achievement against those goals, and comparable figures for the first two quarters of FY 1986: This information is furnished as atch 1 to this letter.

(b) List the nature and dollar amount of each 8(a) contract awarded during FY 1984 and FY 1985: This information is furnished as atch 2 to this letter.

(c) List all SBA requests for requirements for award under the 8(a) program during FY 1984 and FY 1985 that were denied and the reasons for such denials: No requests were denied.

(d) State any formal or informal criteria used by personnel under your Command for the selection of contracts for award under the 8(a) program. In

addition, please indicate how your activity matches 8(a) firms with such requirements: The majority of contracts awarded under the 8(a) program at this installation are construction contracts. Projects to be offered for 8(a) opportunities are selected jointly between the Small & Disadvantaged Business Utilization Specialist and Civil Engineering. After CE receives their prioritization of projects from Hq TAC, the joint meeting is held, and projects are selected from those expected to be funded during the current fiscal year. Selection criteria used is: (1) job should usually be over $100,000; (2) try to identify a job in each construction speciality, i.e.: General Contracting, Electrical Contracting, Paving, etc.

This activity does not match 8(a) firms with our requirements; this is a function which belongs to the Small Business Administration. If we are aware that small business has self-marketed a particular job, we will inform SBA of this; however, matching the contractors to jobs offered is not our prerogative.

(e) For the period FY 1984 and FY 1985 list the number of requirements that were offered to SBA for award under the 8(a) program, but were subsequently returned: There were no requirements offered which were subsequently returned.

2. Your interest in the small business programs at this installation is appreciated. If I may be of further assistance, please let me know.

SIGNED

JAMES F. RECORD
Brigadier General, USAF
Commander

2 Atch

Atch 1

FY 84		HQ TAC GOALS	ACCOMPLISHED
Total eligible dollars	= $26,974,737.	None	See left column
Awards to small business	= $19,999,077.	65% of all eligible dollars	74%
Section 8(a) awards	= $ 682,929.	2.4% of all eligible dollars	3%
Direct minority awards	= $ 1,628,963.	8.9% of all eligible dollars	6%*

*This goal was not met. Disadvantaged contractors were successful in winning only 6% of our awards competitively.

FY 85		HQ TAC GOALS	ACCOMPLISHED
Total eligible dollars	= $40,976,572.	None	See left column
Awards to small business	= $27,143,385.	74.5% of all eligible dollars	66%**
Section 8(a) awards	= $ 1,034,967.	$ 700,000.	3% of all eligible dollars; 147% of goal
Direct minority awards	= $ 8,846,960.	$1,710,000.	21.5% of all eligible dollars; 517% of goal

** This goal was not met due to a competitive award to large business which was in excess of $4,000,000 (transponders and interrogators).

FY 86		HQ TAC GOALS	ACCOMPLISHED THROUGH 2ND QUARTER
Total eligible dollars	= $ 9,928,562.	None	See left column
Awards to small business	= $ 7,535,637.	67%	76%
Section 8(a) awards	= $ 1,443,743.		
		5%***	18%
Direct Disadvantaged awards	$ 654,836.		

*** HQ TAC has combined the Section 8(a) and Direct Disadvantaged awards into one goal, "Disadvantaged awards", this fiscal year

FY 84

1. 84C0101 - Exterior Paint, West Area (Lucero, Inc.)

   Award amount: $405,111.67

2. 84C0026 - Repr Storeroom Doors, Hsg (Las Cruces Transit Mix)

   Award amount: $72,100.40

3. 84C0035 - Replace Garage Doors, Hsg (J.T. Construction)

   Award amount: $194,122.

FY 85

1. 85C0127 - Alter/Repair Base Gym (Ike Monty)

   Award Amount: $284,500.

2. 85C0044 - Repair Force Main, W.A. (Las Cruces Transit Mix)

   Award Amount: $157,059.

3. 85C0103 - Repr Tula Peak Rd (Max Rivera)

   Award Amount: $449,076.

4. 85C0105 - Const. Addn. Eng. Shop (Max Rivera)

   Award amount: $143,867.

Mr. RICHARDSON. Thank you very much. Our next witness is Col. Boyce Wiltrout. Is that correct?

Colonel WILTROUT. Wiltrout.

Mr. RICHARDSON. Welcome, Colonel.

TESTIMONY OF COL. BOYCE W. WILTROUT, COMMANDER, 27TH COMBAT SUPPORT GROUP, CANNON AIR FORCE BASE, NM

Colonel WILTROUT. Thank you, Mr. Chairman and members of the committee. I am Col. Boyce W. Wiltrout, commander of the 27th Combat Support Group, located at Cannon Air Force Base near Clovis, NM. You had originally invited Col. Needham B. Jones, commander of the 27th Tactical Fighter Wing, to appear before you. Colonel Jones could not be here. He is presently at Langley Air Force Base and will soon be deployed over to the United Kingdom. He sends his apologies and has asked me to appear before you in his place.

On behalf of both Colonel Jones and myself, I would like to thank the subcommittee for the invitation to appear here today to discuss what we are doing at Cannon Air Force Base to help small business concerns earn defense dollars.

At Cannon, we try to give small and small disadvantaged businesses every opportunity to obtain Government contracts. To this end, our major command headquarters, the Tactical Air Command, has developed annual goals for awarding a percentage of the total eligible contract dollars to small business to help these small businesses earn defense dollars.

Since your invitation asked that we focus on the current fiscal year, as well as the last 2 fiscal years, I'd like to highlight at this time what we've done during those years. For your ease in following my testimony, I have prepared a chart that illustrates what I'm about to say, and that is attachment 1 to my testimony. I'd like to make sure that you all have a copy of that chart.

Mr. RICHARDSON. Yes; I do.

Colonel WILTROUT. The chart is titled "Status of Small Business Awards—Cannon Air Force Base—FY 84, FY 85 and first half FY 86." Please keep in mind that as we discuss statistics that Cannon AFB is relatively small. We only have one 8(a) approved contractor within 100 miles of the base. Our annual installation goals for awards to small business are broken down into several subcategories. The first of these is small business prime contract awards. The others are small business set-asides, section 8(a) awards and direct awards to small and disadvantaged businesses.

With this explanation, I will now review how we did in meeting our goals during fiscal years 1984, 1985 and the first half of fiscal year 1986.

In fiscal year 1984, we had a little over $14.5 million available for small business contract awards. On your chart this figure is called total eligible dollars. Of this $14.5 million, our goal was to award 75 percent to small business. We actually awarded 74.3 percent, for $10.8 million.

In fiscal year 1985 we had a little over $19 million in total eligible dollars. Our goal was to award 73.5 percent to small business.

We actually awarded more than that—76.9 percent, over $14.5 million.

Through the first two quarters of fiscal year 1986 we had a little over $7.6 million available, and our goal was to award 74 percent to small business. We actually have exceeded that goal to date by awarding 77.2 percent of eligible dollars to small business for awards of over $5.9 million.

In fiscal year 1984 our small business set-aside goal was 52 percent. We achieved 57.3 percent, for over $8.3 million. In fiscal year 1985 our goal was 57.5 percent, and we achieved 66.5 percent. In the first two quarters of fiscal year 1986 our goal was 66 percent, and we achieved 65.3 percent, for awards of over $5 million.

In fiscal year 1984 our goal for section 8(a) awards was 4.5 percent, and we closed the year out at 5.5 percent. In fiscal year 1985, our goal was 2.6 percent, and again we exceeded that goal by achieving 3.4 percent by awarding over $600,000 to 8(a) contractors. All told, we have exceeded our 8(a) goal every year since fiscal year 1981.

In fiscal year 1986, there is not a separate goal for section 8(a) awards from the Tactical Air Command. Instead, this category was combined with direct awards to small and disadvantaged businesses, and a goal of 5 percent overall was given to the single category titled "Disadvantaged." Through the first two quarters of fiscal year 1986, we have again exceeded our goal by achieving 7.4 percent and awarding over $500,000 by midyear.

Now that you have an idea of the scope of our small business awards over the last several years, I'd like to focus on the nature and dollar amount of each one of these awards during fiscal year 1984 and fiscal year 1985 in the 8(a) area. Again, for your convenience, that is attachment No. 2 to my testimony.

In fiscal year 1984 we awarded four section 8(a) contracts, with a total dollar amount of over $800,000, to four 8(a) contractors. The individual dollar amounts, as well as the nature of each contract, are shown on the handout.

In fiscal year 1984, we awarded four section 8(a) contracts for a total dollar amount of $855,404.62. The individual dollar amount as well as the nature of each contract is shown on the handout.

In fiscal year 1985, we awarded three section 8(a) contracts, for a total dollar amount of over $600,000. This again was to three separate 8(a) contractors.

I would now like to explain how we select contracts for award under section 8(a). Early in each fiscal year, the base civil engineers, along with our small business specialist, review all of the projects that we have programmed for that fiscal year in the October or November timeframe. In the case of projects that are not of concern to civil engineers, such as food services, for example, this review takes place much earlier in the previous fiscal year with the agency that generated that requirement.

These reviews include an assessment of which projects have a reasonable chance of being funded by Tactical Air Command during the fiscal year. This assessment is based on many factors, including knowledge of the project and the project's priority, as established by the Base Facilities Board.

Those projects which are considered to be likely candidates for funding are then examined to determine whether they have potential for an 8(a) offering. Factors which are considered in this determination are the type of service required, construction trades involved, anticipated project cost, and the history of how similar requirements were met in previous years.

In matching our requirements to small business capabilities, we rely on the expertise of our small business specialist as well as on the small business contractors themselves to make their capabilities known to us. Many small businesses engage in self-marketing efforts that help gain them recognition. The profiles of approved 8(a) contractors are also reviewed as to the type of service provided, past performance, experience, and financial capabilities.

During fiscal year 1985, there were no denials of SBA requests for requirements for awards under the section 8(a) Program. Likewise, there were no requirements which were offered to SBA for awards under the section 8(a) Program that were subsequently returned either during fiscal year 1985 or fiscal year 1984. However, during fiscal year 1984, we did decline an SBA request to award five contracts under the section 8(a) Program. The reason we did this was because we had identified those five projects in question for award under the President's southwest border initiative to section 8(a) contractors other than the ones identified to us by the SBA. All requirements that were offered to SBA for award were awarded. We found ourselves in a difficult position, being asked to support a Presidential Program and not being supported by the SBA.

We at Cannon Air Force Base are proud of our record of achievement in support of the Small Business Program, and we invite any small business contractor who is interested in doing business with us to get in touch with our small business specialist. Thank you very much for allowing me to testify.

Mr. RICHARDSON. Thank you very much, Colonel.

[Colonel Wiltrout's attachments to testimony follow:]

STATUS OF SMALL BUSINESS AWARDS

(AMMON AFB, ID)

FY 84, FY 85, AND FIRST HALF FY 86

	FY 84			FY 85			FY 86 (1 Oct 85 - 31 Mar 86)		
	Total Eligible Dollars = $14,557,646			Total Eligible Dollars = $19,002,325			Total Eligible Dollars = $7,688,426		
	$ AWARDS	GOAL	ACHIEVED	$ AWARDS	GOAL	ACHIEVED	$ AWARDS	GOAL	ACHIEVED
SB Prime Contract Awards	10,810,919	75%	74.3%	14,677,335	73.5%	76.9%	5,933,044	74%	77.2%
Small Business Set-Asides	8,341,175	52%	57.3%	12,638,002	57.5%	66.5%	5,021,120	66%	65.3%
Section 8(a) Awards	804,296	4.5%	5.5%	654,019	2.6%	3.4%	* 565,912	5%	7.4%
Direct Awards to Small and Disadvantaged Firms	218,228	5.6%	1.5%	1,255,873	1.2%	6.6%			

* In FY 86, Tactical Air Command combined the categories of Section 8(a) and Direct Awards to Small and Disadvantaged Firms into one category called "Disadvantaged". A single goal of 5% was established for this category.

SECTION 8(a) AWARDS

CANNON AFB, NM

FY 84

Description		*Dollar Amount
Paint Interior, Military Family Housing		$161.890.73
Alter/Repair Bldg 184		543,417.84
Maintain Water Storage Tanks		144,230.88
Custodial Services, MWR Facilities		5,865.17
	TOTAL	$855,404.62

FY 85

Description		*Dollar Amount
Basewide Custodial Services		$236,202.24
Construct Rifle Range Facility		181,912.37
Paint Carports, Gemini MFH		189,338.25
	TOTAL	$607,452.86

*Includes amounts added by modification after award.

Mr. RICHARDSON. Our next witness is Colonel Thomas, of Kirtland. Colonel, welcome to the committee.

TESTIMONY OF COL. CHARLES THOMAS, COMMANDER, 1606TH AIR BASE WING, KIRTLAND AIR FORCE BASE, NM

Colonel THOMAS. Thank you, Mr. Chairman. Mr. Chairman, Congressman Torres, Ms. French, and ladies and gentlemen, it is a distinct pleasure for me, as a host base wing commander at Kirtland, to talk about Kirtland's Small and Disadvantaged Business Program. It is a source of great personal pride, because Kirtland Air Force Base has made some significant achievements over the past 2 years. For example with new management and special emphasis by not only the base, but the Air Force Contract Management Division, and the Kirtland Contracting Center, our Small Business Program has been significantly enhanced. In the last 3 months of fiscal year 1985, this renewed effort resulted in 8(a) awards almost double the previous year, from $1.15 million to $2.29 million. This year, to date, our 8(a) awards have already exceeded $7 million and are projected to be $10 million by the end of this September 1986, more than quadruple that of the previous year. This dramatic growth is graphically portrayed in the attached charts. In the area of small business awards, we have remained relatively constant from fiscal year 1984, $60.7 million. In fiscal year 1985, we achieved a comparable dollar figure in awards, $57.2 million and we project a year-end amount in this category of approximately $60 million. The direct small disadvantaged business awards follow a similar constant trend, with awards in fiscal year 1984 of $4.6 million, fiscal year 1985 of $4.6 million, increasing slightly in fiscal year 1986 to an estimated $5 million.

These significant increases are the result of a lot of hard work by dedicated personnel and were brought about by a number of positive efforts. For example, top management support was a key ingredient. And that, I believe, is a response to Congressman Torres' concerns about commitment on the part of all of the people at Kirtland. I think we have that commitment.

The other factors include the establishment of a Contract Management Improvement Program, which, in effect, is a management by objective effort to enhance our 8(a) small business awards. We have an 8(a) Small Disadvantaged Business Advisory Council that is comprised of representatives from small and disadvantaged business assistance organizations, the Kirtland Contracting Center top level personnel, our small and disadvantaged business utilization specialist, and our major base requiring activities, and that is very important. The sole purpose of that group is to further 8(a) small business awards.

In addition, our base representatives meet regularly with the entire New Mexico congressional delegation to discuss current status and ways to increase contractual awards to minority and disadvantaged firms.

To assure even greater successes, an 8(a) small business fair was conducted at Kirtland AFB in May 1986. The event was attended by some 1,800 minority business representatives from throughout the State. I might add, this was a first for Kirtland AFB. We also

planned and hosted a seminar, attended by some 300 businesses from the city of Albuquerque.

Another avenue we frequently use to enhance the program is participation in meetings and conferences with minority groups. In fact, we have sponsored several of those.

We routinely bring in our 8(a) and small business firms to present capabilities to us and help us in matching Government needs with their capabilities.

Our small and disadvantaged business utilization specialist at the Kirtland Contracting Center conducts weekly briefings with new contractors on how to do business with the Government. This effort has also produced positive benefits.

We are presently working, diligently, to increase our 8(a) high-technology awards. Our first ever research and development award to an 8(a) firm was made in 1985. The number of those awards is now increasing, and we are firming up high-technology projects that could result in substantial dollar awards in the ensuing years.

Attachment 1 reflects our summary of actions to enhance small and disadvantaged awards. It also portrays recent 8(a) awards and our 5-year trend.

Attachment 2 responds to each individual question posed in the letter from Congressman Mitchell.

I would just summarize by saying that I believe that we are responsive because we do have a commitment to what Congressman Torres identified in his opening remarks. And I think you can see by the summary that I have provided what follows with that, what Congressman Richardson was asking for, and that is a dialog in our community. I think what we're all looking for among our small business people is opportunities. I think we are now providing that opportunity; enhancing those opportunities if they want to do business at Kirtland Air Force Base. Thank you, sir.

[Colonel Thomas' attachments to testimony follow:]

ACTIONS TAKEN TO ENHANCE

SMALL AND DISADVANTAGED AWARDS

- TOP MANAGEMENT SUPPORT

- SPONSORED 8A/SB FAIR

- MEET REGULARLY WITH MINORITY GROUPS

- MEET REGULARLY WITH NEW MEXICO CONGRESSIONAL DELEGATION

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- CONTRACT MANAGEMENT IMPROVEMENT PROGRAM

- ESTABLISHED 8(A) ADVISORY COUNCIL

- PLANNED AND CO-HOSTED AN 8(A) SEMINAR

- PARTICIPATED IN THE NEW MEXICO BUSINESS OWNERS CONFERENCE

- SPONSORED A BOOTH AT THE "BUY NEW MEXICO" FORUM

- PLANNED AND CO-SPONSORED SMALL AND DISADVANTAGED BUSINESS SEMINAR

- PUBLISH 8(A) AWARDS

- CAPABILITY BRIEFINGS

- WEEKLY BRIEFING TO NEW CONTRACTORS

RECENT 8(A) AWARDS

- Y.E.A. INC, ALBUQUERQUE, $243,301 - SOFTWARE FOR AFWL
- ALAMO TECHNOLOGY INC, SAN ANTONIO TX, $231,072 - AFWL ENGINEERING DATA
- ORION INTERNATIONAL TECHNOLOGIES, INC, ALBUQUERQUE, $849,941 - STUDIES ON NUCLEAR WEAPONS DEVELOPMENT FOR AFWL
- ORION INTERNATIONAL TECHNOLOGIES, INC, ALBUQUERQUE, $99,997 - SECURITY METHODOLOGY ANALYSIS (SAM II)

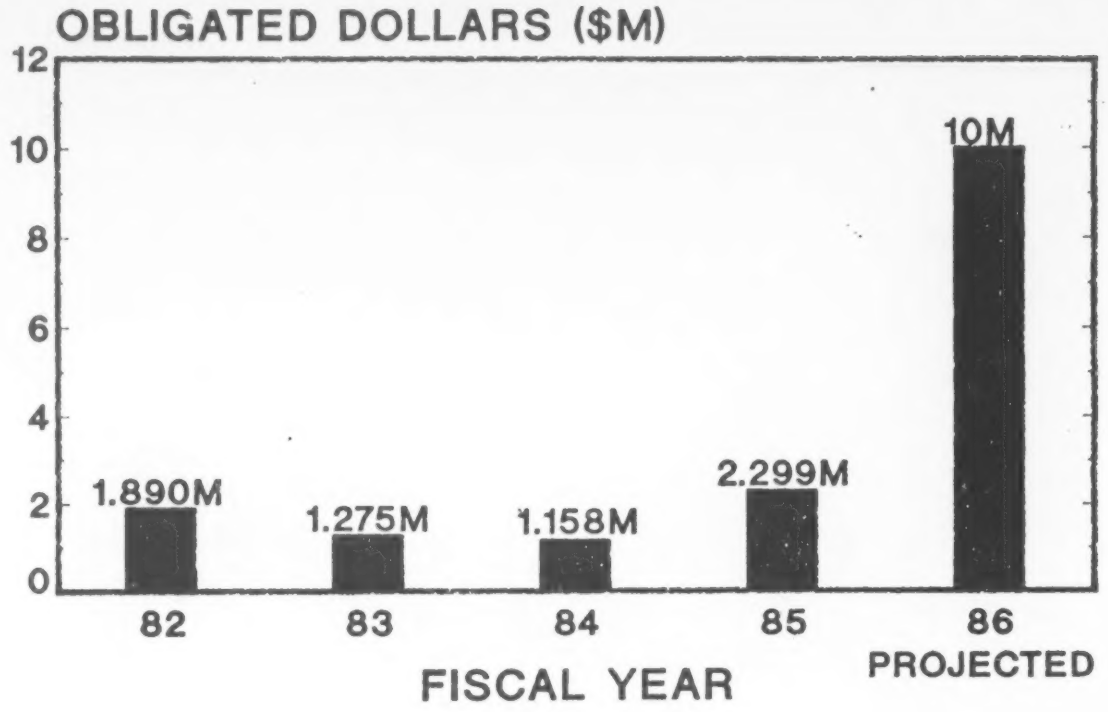
RECENT 8(A) AWARDS (CONTINUED)

- ADVANCED SCIENCE INC, ALBUQUERQUE, $299,337 - ENGINEERING DESIGN TECHNOLOGY
- IKE J. MONTY INC, ALBUQUERQUE, $1,487,000 - REPAIR APRON E
- MARINA CONSTRUCTION CO, ALBUQUERQUE, $118,310 - BUILDING 20686
- IKE J. MONTY INC, ALBUQUERQUE, $93,007 - CMD COMMAND SUITE
- AYALA, ALBUQUERQUE, $46,858 - POWER DISTRIBUTION
- AYALA, ALBUQUERQUE, $15,960 - REPLACE WINDOWS

RECENT 8(A) AWARDS (CONTINUED)

- BOAR CONSTRUCTION, ALBUQUERQUE, $16,631 – RESURFACE PAD
- CTA, DENVER, $3,826,241 – AFOTEC SUPPORT
- CTA, DENVER, $3,303,335 – DATA PROCESSING SUPPORT
- ANTELOPE, ALBUQUERQUE, $151,425 – CUSTODIAL SERVICE
- F & P, ALBUQUERQUE, $23,386 – LATRINES AT MANZANO
- F & P, ALBUQUERQUE, $16,000 – REPAIR FIRE DAMAGE

FIVE YEAR 8(A) TREND



1. FY 84 AND FY 85 GOALS FOR SMALL BUSINESS AWARDS, 8(A) AWARDS, AND DIRECT SMALL DISADVANTAGED BUSINESS AWARDS AS WELL AS THE ACTUAL ACHIEVEMENT AGAINST THOSE GOALS, AND COMPARABLE FIGURES FOR THE FIRST TWO QUARTERS OF FY 86.

FY 84, FY 85, AND FY 86, TO DATE, GOALS AND ACHIEVEMENTS FOR SMALL BUSINESS, 8(A) AND SMALL DISADVANTAGED BUSINESS ARE SET FORTH AS FOLLOWS:

FY 84	GOAL	ACHIEVEMENT
SMALL BUSINESS	$66M	$60.7M (91.9%)
8(A)	$2.5M	$1.158M (46.3%)
SMALL DISADVANTAGED	$7.5M	$4.5M (60.5%)

FY85	GOAL	ACHIEVEMENT
SMALL BUSINESS	$64M	$57.2M (89.4%)
8(A)	$2.5M	$2.299M (92%)
SMALL DISADVANTAGED	$6M	$4.6M (77.2%)

FY 86 (AS OF 25 AUG 86)	GOAL	ACHIEVEMENT
SMALL BUSINESS	$63M	$47.3M (75%)
8(A) AND SMALL DISADVANTAGED	5% OF TOTAL US BUSINESS AWARDS	$9.9M (2.51% OF TOTAL AWARDS TO US BUSINESS)

2. LIST THE NATURE AND DOLLAR AMOUNT OF EACH 8(A) CONTRACT AWARDED DURING FY 84 AND FY 85.

FY 84, FY 85, and FY 86, to date, awards are set forth as follows:

FISCAL YEAR 1984

TITLE	AMOUNT
Paint Interior/Exterior Hangers	$ 74,185
Evaluate ADP System (AFOTEC)	1,081,836
Evaluate ADP System (AFOTEC)	200,000

FISCAL YEAR 1985

TITLE	AMOUNT
Weapons Development Tech Support	$ 25,000
NATO F-4E AMAC MOD	66,000
R&D Automation System	94,315
Install Screen/Storm Doors, MFH	67,553
Modify "E" Wing Command Suite	86,610
Eval ADP System - AFOTEC	530,000
CHAFF Dispersion Prediction Model	45,000
Repair & overlay Tow Road KLD 89-4	250,000
Crack Seal Base Roadways, KLD 208-4	293,120
Evaluate ADP System, AFOTEC	766,414
Construct Service Drive	19,460
Landscape AFWL Area	14,790

FISCAL YEAR 1986

TITLE	AMOUNT
Evaluation ADP System (AFOTEC)	$2,824,683
Weapons Development Tech Support	272,408
Engineering Design Tech	136,000
R&D Automation System	47,685
Security Analysis Methodology Update	49,063
Maintenance/Repair Apron "E"	1,487,000
Maintenance/Repair Bldg. 20686	118,310
NATO F-4E AMAC Mod	115,000
Mechanical Services (Elec) Bldg 402	48,858
Custodial Services	113,796

3. LIST ALL SBA REQUESTS FOR REQUIREMENTS FOR AWARDS UNDER THE 8(A) PROGRAM DURING FY 84 AND FY 85 THAT WERE DENIED AND THE REASONS FOR EACH SUCH DENIAL.

WE WERE UNSUCCESSFUL IN AWARDING 8(A) CONTRACTS ON THE FOLLOWING PROJECTS REQUESTED BY THE SBA:

FY 1984

REQUIREMENT	REASON NOT AWARDED 8(A)
PAINT INTERIOR/EXTERIOR BLDS 1000, 1001, 1002, REROOF MISC. BASE FACILITIES AND REPLACE BOUNDARY FENCE	WHEN FUNDS RECEIVED THERE WAS NOT SUFFICIENT TIME TO ATTEMPT AN 8(A) AND, IF UNSUCCESSFUL HAVE TIME TO ADVERTISE AND AWARD PRIOR TO END OF FISCAL YEAR. HOWEVER, PAINTING OF HANGARS WAS SEPARATED AND AWARDED TO AN 8(A) COMPANY FOR $74,185
REPAIR INTERIOR/EXTERIOR BLDG 20352 (ESTIMATE, $300,000)	AWARDED UNDER FORMAL ADVERTISING PROCEDURES--DATA NOT AVAILABLE AS TO WHY 8(A) WAS NOT SUCCESSFUL FOR THE IDENTIFIED 8(A) SOURCE, CIBOLA CONSTRUCTION
STUCCO EXTERIOR MISC. BLDGS (ESTIMATE, $500,000)	LOST FUNDS
REPLACE SPRINKLER SYSTEMS & RESOD MISC. AREAS ALONG WYOMING (ESTIMATE, $200,000)	FUNDS NOT RECEIVED IN SUFFICIENT TIME TO ALLOW 8(A) NEGOTIATION
REPLACE BOUNDARY FENCE (ESTIMATE, $400,000)	IDENTIFIED 8(A) COULD NOT OBTAIN FOUR (4), 4-WHEEL DRIVE VEHICLES NEEDED FOR PERFORMANCE--AWARDED UNDER FORMAL ADVERTISING PROCEDURES

3. CONTINUED

FY 1985

REQUIREMENT	REASON NOT AWARDED 8(A)
DESIGN OF A SERIES OF WATER WASTE MONITORING STATIONS	AGREED TO 8(A) SET-ASIDE—REQUIREMENT HAS NOT YET MATERIALIZED
ENVIRONMENTAL ASSESSMENT	INCUMBENT SMALL BUSINESS--SOLICITED UNDER SMALL BUSINESS SET-ASIDE
INTERGRATED STRUCTURAL CONTROL ALGORITHM (SCIENTIFIC SYSTEMS, INC., CAMBRIDGE MA)	8(A) NOT RECOMMENDED BY TECHNICAL TEAM BECAUSE CONTRACTOR DID NOT SHOW ACCEPTABLE CAPABILITIES IN ALL AREAS
INTEGRATED STRUCTURAL CONTROL ALGORITHM (DIVERSIFIED ENGINEERING, RICHMOND VA)	8(A) NOT RECOMMENDED BY TECHNICAL TEAM BECAUSE CONTRACTOR DID NOT SHOW ACCEPTABLE CAPABILITIES IN ALL AREAS
MAINTENANCE & REPAIR, BLDG 2686	LOST FUNDS IN FY 85, AWARDED TO 8(A) IN FY 86

4. STATE ANY FORMAL OR INFORMAL CRITERIA USED BY PERSONNEL UNDER YOUR COMMAND FOR THE SELECTION OF CONTRACTS FOR AWARD UNDER THE 8(A) PROGRAM. IN ADDITION, PLEASE INDICATE HOW YOUR ACTIVITY MATCHES 8(A) FIRMS WITH SUCH REQUIREMENTS.

A. THE FOLLOWING CRITERIA IS USED BY THIS ACTIVITY TO DETERMINE WHICH REQUIREMENTS ARE TO BE OFFERED FOR 8(a) CONTRACTING:

CONSTRUCTION/SERVICES

a. The Civil Engineering Division is requested to provide a list of all potential projects that could be considered for 8(a) contractors. 8(a) contractors are encouraged by this activity to present their qualifications to the Civil Engineers for consideration of 8(a) set-asides in upcoming projects.

b. All purchase request packages received from Civil Engineering without a designation for 8(a) set-aside are reviewed by the Small Business Specialist and Base Contracts Division Chief for the possibility of 8(a) award. Consideration is given to the technical specialties involved, capabilities of 8(a) companies, bonding capacity of 8(a) companies, and time criticality of the project. Experience on previous contracts is considered. We may also consider the company's interest and competitiveness on previous open competition procurements. Everything being equal, this activity recommends an 8(a) contractor who has not had a recent contract with us.

c. Small purchase buyers (for projects under $25,000) look for opportunities to award small projects to the smaller 8(a) companies.

SUPPLIERS

a. This Center aggressively pursues possibilities to award Blanket Purchase Agreements or Requirements contracts to 8(a) companies for supplies most often purchased.

b. All synopses (other than Small Business Set-Aside) include the following statement: "We reserve the right to designate a Small Business Set-Aside or 8(a) Program contract award based upon responses to this synopsis."

R&D

a. Most R&D Sources Sought Synopses include the following language: "This Center reserves the right to designate this procurement a small business set-aside or 8(a) program contract award based upon qualification statements submitted." This has encouraged responses from 8(a) companies. If interest is indicated by an 8(a) company they are provided the opportunity to brief their qualifications on the instant contract to the appropriate technical and contracting personnel.

b. Personnel from requiring activities are members of the Small & Disadvantaged Planning Council chaired by the Director of Contracting. These personnel are asked to look for opportunities within their organizations to designate projects for 8(a) awards. Technical personnel from these organizations are receptive to qualification briefings from 8(a) companies.

In general, if a requirement exists which an 8(a) company is qualified to perform, cost and time factors considered, an 8(a) contract will be the objective of this activity.

B. MATCHING 8(a) FIRMS WITH REQUIREMENTS:

FOR RESEARCH & DEVELOPMENT CONTRACTS WE MATCH EFFORTS WITH THE MOST TECHNICALLY ACCEPTABLE SOURCE, CONSISTENT WITH THE REQUIREMENT, IN ACCORDANCE WITH FAR 35.008.

IN MANY INSTANCES 8(a) CONSIDERATION DEVELOPS AS THE RESULT OF A CONTRACTOR'S SELF-MARKETING.

CONSIDERATION IS ALSO GIVEN TO AN 8(a) CONTRACTOR WHO HAS NOT HAD A RECENT CONTRACT WITH THIS ACTIVITY.

WE ALSO RELY ON THE SMALL BUSINESS ADMINISTRATION TO PROVIDE RECOMMENDED SOURCES.

5. FOR THE PERIOD FY 84 AND FY 85 LIST THE NUMBER OF REQUIREMENTS THAT WERE OFFERED TO SBA FOR AWARD UNDER THE 8(A) PROGRAM, BUT WERE SUBSEQUENTLY RETURNED.

THE FOLLOWING PROJECTS WERE OFFERED TO SBA HOWEVER, WE WERE UNABLE TO CONSUMMATE AN 8(A) CONTRACT:

FY 1984

REQUIREMENT	REASON NOT AWARDED 8(A)
REPLACE ROOFS, MISC BLDGS	NO 8(A) ROOFING CONTRACTOR AVAILABLE

FY 1985

AR COOPERATIVE COMPUTER SYSTEM SUPPORT DEC EQUIPMENT	REQUIREMENT NEVER MATERIALIZED
JANITORIAL SERVICES (ESTIMATE, $250,000)	DATA NOT AVAILABLE
SEAL ACCESS ROADS	8(A) PROPOSAL TOO HIGH, AWARDED COMPETITIVELY
LANDSCAPE CARLISLE AVE AREA	CANCELLED--FUNDS USED ON ANOTHER PROJECT
CONTSRUCT SOCCER FIELD	WHEN FUNDS RECEIVED, TIME DID NOT PERMIT 8(A) NEGOTIATION

Mr. RICHARDSON. Thank you, Colonel. I believe we have gotten all of the witnesses from this panel. I would now like to turn to my colleague, Congressman Torres.

Mr. TORRES. Thank you, Mr. Chairman. I would like to follow up my question here. I'm not sure whether it will be to Colonel Thomas or Colonel Peixotto. We have heard this morning, as the 8(a) businessmen presented their testimony, about attitudes, about contractors, about the role of base commanders.

Mr. Chavez, as a case in point, described a stigma that is still attached by many such persons in feeling that certain people are not capable or intelligent or really can't carry out these contracting capabilities. But he did beg the question by saying, "Just ask the Corps of Engineers about how work done by a certain minority contractor on the highly sophisticated precision measurement laboratory at Kirtland Air Force Base, which has just been completed."

That's why I'm saying I don't know who to direct this question to. Would that be you, Colonel? Will you tell me about that specific question that Mr. Chavez raised?

Colonel PEIXOTTO. Yes, sir; we can do this two ways. The Corps is involved in the construction, and Colonel Thomas' people are involved in using it. So I can report on the construction. It was constructed by Marina Construction as you described.

The project is rather sophisticated in the heating, ventilating, and air conditioning. It's an addition to an existing building. They did it at a good price, they did it on time, and it was good quality. I was pleased with the construction that they provided.

As far as whether there is a stigma that we have with respect to the capabilities of small businesses, particularly 8(a) businesses, in accomplishing sophisticated work, I'd have to say there is certain sophisticated work that is very complex and can be difficult for them to amass the resources for. We are always willing to talk with them to see if they have the particular types of people, the particular skills and talents, that are necessary for the job.

It would be a mistake to say that they are categorically considered to be unacceptable for sophisticated jobs, but there are certain sophisticated jobs where they must prove that they have the capabilities.

Mr. TORRES. And in this case, Mr. Chavez' firm was a firm that did work for you?

Colonel PEIXOTTO. That's correct. Mr. Chavez' firm, Marina Construction, built this building for the user, Kirtland Air Force Base, but the Albuquerque District of the Corps of Engineers was the constructing agent.

Mr. TORRES. Could you let the committee know the dollar amount of that contract?

Colonel PEIXOTTO. I'm afraid I can't tell you that, sir.

Mr. TORRES. $5 million?

Colonel PEIXOTTO. No, sir; it was substantially less than that.

Mr. TORRES. Somebody in the audience is signaling on that.

A VOICE FROM AUDIENCE. $900,000.

Mr. TORRES. $900,000?

Colonel PEIXOTTO. That sounds closer to it, sir.

Mr. TORRES. OK, there's a big difference. Thank you, Colonel.

We were talking about stigma. The last witness, Colonel Thomas, commented in his statement that they are working now with 8(a) small business firms in high technology. In fact, he said, "Our first ever research and development award to an 8(a) firm was made in 1985." Colonel, are you free to tell us who that was?

Colonel THOMAS. Yes; it was Orion.

Mr. TORRES. Who was it?

Colonel THOMAS. Orion, O-R-I-O-N.

Mr. TORRES. And this is a local, New Mexican defense firm?

Colonel THOMAS. Yes, sir.

Mr. TORRES. Thank you, Colonel Thomas. General Owens, in your testimony you referred to umbrella contracts as perhaps preferred. However, you also agree, by the same token, that this tends to reduce the opportunities for small, disadvantaged firms. How do you handle this policy?

General OWENS. Well, at the current time, we're doing a study to determine if we're going to go to commercial activities with contracts or if we're going to try to do it more efficiently in house. We're still conducting the study. We should finish it up by next April, and then a decision will be made on which way to go.

But if you lump a number of small contracts together with one big contract, then you obviously eliminate opportunities for small business, unless they're subcontractors.

Mr. TORRES. General, would you please put on your little mike?

General OWENS. Can you hear me now? Would you like me to repeat the answer?

Mr. TORRES. Yes, please.

General OWENS. We are currently conducting a study to determine if we're going to commercial activities to do our logistics and engineering projects at White Sands or if we will do it in house, where our current work force can probably do it more efficiently. If we go to big contracts, we obviously lump a number of contracts together.

Now if that contractor subcontracts, that does not hurt small business. But if he does not, then that eliminates our opportunity to go out to small contractors for construction, et cetera.

Mr. TORRES. Do you know, General, how many so-called high-technology firms you might have on your source list? Do you have this information available to you?

General OWENS. I don't have it here. Can you tell me?

Mr. KAHENY. I don't know. There must be—we have about three contracts right now that I'd say are high technology. Now how many people have applied for high technology, that's something else again.

Mr. TORRES. But I'm asking about your source list. Do you have a source list that you can look at and extrapolate, when you're going into a particular function, which high-technology firms you might select from, who you might invite?

Mr. KAHENY. Yes; we have a bidders list of many firms interested in bidding on our requirements. This list includes hundreds of firms, and we can match that up, using a computer, against our requirements.

Mr. TORRES. Would you identify yourself, for the record?

Mr. KAHENY. Yes; My name is Richard Kaheny, Director of Procurement, White Sands.

Mr. TORRES. Thank you, Mr. Kaheny. Mr. Chairman, that concludes my questioning. I yield the time back to you.

Mr. RICHARDSON. Thank you very much, Mr. Chairman. I would like to just be as diplomatic as possible in my bluntness. Colonel Wiltrout and Colonel Podmenik, I read your testimony and what others have said of increases and real commitments. I see some commitment, an increase in commitment anyway, from most everybody on the witness stand. But with all due respect, at Cannon and at Holloman your commitment is a little less than the other folks.

Colonel Podmenik, why is that? Is there something specific about Holloman, maybe a lack of marketing, or information problems? What is it that perhaps we need to improve on? And I hope you take this remark constructively, because I don't want to conduct a witch hunt. I want this to be a positive hearing. What are your main problems in fulfilling this set-aside goal? Why is it not met?

Colonel PODMENIK. Well, sir, our attainment of our goal, as I indicated when I went through the statistics, we had a 5-percent set-aside goal this year from Headquarters TAC. That's what we were told. Yes; that was alluded to earlier, coming out of the DOD. At this point in time, with the contracts that we have left in our 8(a) set-aside and the direct disadvantaged awards, we had 18 percent.

Now as the rest of the fiscal year closes out, we anticipate that some of that is going to go down. The 18 percent probably won't hold, but it's not going to go below 5 percent. We feel it's still going to be, if I'm not mistaken, probably around 8 percent. We still have roughly $600,000 of 8(a) contracts waiting for dollars to be put against them from Headquarters TAC.

So in our testimony that we turned in, in the figures, we have achieved the goals that were given to us each year, 1984, 1985 and 1986. We don't necessarily look at the goals as the maximum. We look at the goals as, that's what we need to achieve only as the minimum.

So I think that 1985, for example, is a good indication, sir. And for that year they gave us a dollar value instead of a percent. They told us that $700,000 was what they wanted us to give to 8(a), and we did over $1 million with 8(a).

In 1986, they wanted us to do $1.4 million. I think our very first contract—and I'm going to defer to Ruthena on this—but I think our very first contract was $1.3 million. In fiscal year 1986, $1.3 million was one of the first contracts we let to an 8(a) firm.

Mr. RICHARDSON. Well, maybe your goals are too low. Maybe that's the answer, and it's not something that you are directly responsible for. Maybe that's something that this committee can look into, because while they meet minimum goals, I think there is a disparity in counting the goals of the various people who have testified here today. Yes; there is some improvement there—and perhaps I should correct myself—for the previous fiscal year, and we want to continue seeing that.

Colonel Wiltrout, what do you have to say about the little elevation that I have made?

Colonel WILTROUT. Concerning the goals, as you know, the goals are not established by us, but they're established by our higher

headquarters. You may consider those too low. But we look at that goal as something to achieve, because as we dedicate more dollars to the 8(a) Program, we decrease the dollars that are available for competition in the small business area. And we guard that rather jealously because we have a lot of small businesses in Clovis, Portales, Roosevelt County, and Curry County that benefit from that. We don't like to take away from them, but yet we like to support the 8(a) Program. I think we're doing a little bit of both right now.

Mr. RICHARDSON. Are you familiar with the Lucero family?

Colonel WILTROUT. I am, indeed. I think we got them started as an 8(a) contractor.

Mr. RICHARDSON. Is Lucero here? He was going to be here. I'm glad you started him, but somehow he had some concerns, which I would want him to express.

But nonetheless, I don't want to make this, as I said, a continued pressure on you at this particular moment. Perhaps the goals at the national level need to be addressed, because I just think that while you're making an effort at your bases, perhaps you need to do better. Mr. Chairman.

Mr. TORRES. Mr. Chairman, in earlier testimony, Mr. Denlinger in part really addressed himself to the abysmal record of New Mexico. He called it a backwater approach.

Ms. Muller talked about this very courteous, nice demeanor that New Mexican business people have. Perhaps they're not tough enough or something. But I really wonder why we're here and we're sensing that the goals that you've alluded to are really—and they're being met, but they really could be higher. Mr. Chairman, our commanders here at the military installations are being outshined by the rest of their countrymen.

Mr. RICHARDSON. Let me also deal with another, I think, parochial question, Congressman Torres, which I hope does not offend you in particular. I've got to admit a very strong bias at this very moment, as the whole delegation has, about New Mexico 8(a) firms.

And those of you in the border areas, General Owens, I know you've got some Texas 8(a) firms. Some of them are my friends, and of course they've got Congressman Coleman and the military installations there and perhaps at Holloman and Cannon also.

Is there something about 8(a) firms that are not New Mexican that maybe 8(a) New Mexico firms need to develop? Why are we seemingly doing a little more business out of State than perhaps we should be? We are a New Mexico installation. General Owens, what are your views on that issue?

General OWENS. Well, let me go back into a little history. As you know, we're just across the line from El Paso. The work force there is some 8,000 plus. About 83 or 84 percent of those people, I believe, come from Las Cruces, and 20-some percent come from El Paso.

As I mentioned earlier in my testimony, there are not as many small business firms in Las Cruces as there are in the northern part of New Mexico. So we're talking 200 miles plus to come down and negotiate with us, whereas we're talking 44 miles with El Paso, and that's part of the problem. I think we're doing a reasonably good job of working with those people.

I've been there, as I mentioned, 3 months, and I've run into at least three or four small businesses that have come in and asked if

they could work with us, which we were happy to do. I have agreed that we will try to hold a fair in Las Cruces. So I think we're making every effort that we can to work with small businesses.

Our situation at White Sands, as you know, I'm sure, is high technology. There's not so much construction. So there is obviously some reluctance on the part of the directors to accept a firm that they don't know can produce the type of product that we have to have there. We're in the business of White Sands, not like any other military installation, where it has to make money or we go out of business. We're there to provide a service, not to train soldiers, so we're in a little different category there.

But I think we're working hard to work with the small businesses. And I agree if we have a small business that is qualified, I'm not concerned about exceeding the goal. By that, I mean that I'll be more than happy if we exceed the goal, and we will do what we can to do that.

Mr. RICHARDSON. I will say, General, looking substantively, you have tripled your 8(a) contracts since 1983 on the state of the art set-aside, et cetera.

But I guess one thing that you will hear from the 8(a) people is the absence of 8(a) contracts in this high-technology area, and I think we've got to do better. I think there's no question about it. In fact, I think there are several high-technology 8(a) people in this audience. And as we know, strategic defense is something that is very much a part of your mission.

General OWENS. Right.

Mr. RICHARDSON. And that is going to increase, I believe, in the future. If you asked for four times, a quadrupling, of the budget, you'd end up with twice as much. But it's going to grow, and I think Los Alamos has a substantial mission in this area.

Let's deal a little bit with high technology in the SDI arena. What are the prospects for some 8(a) firms doing some substantive work, as you see it, in the future in the SDI area?

General OWENS. I believe that we can do better in that area. We're currently negotiating with a small firm in El Paso, and we're looking to see if they can accomplish that. It involves mirrors and materials for a high-energy laser facility. I am not familiar enough and we have not started on SDI to tell you what will take place in that arena, but I'm sure that there are a number of opportunities there for small businesses to get involved in high technology.

As I told Mr. Parren Mitchell in my letter, we will exert every effort to try to exceed those goals. I've only been there 3 months.

Mr. RICHARDSON. You mean you're not an expert after 3 months? We were experts after a month in the Congress.

General OWENS. I would like to tell you that I am, but in all honesty, I'm not. But I think we have a good program there, and we're working hard at it. But we can do better, and we'll work to do better.

Mr. RICHARDSON. Well, I'm impressed with your commitment, and I'll return to another question I want to ask you.

General OWENS. Let me add just one other thing. I mentioned earlier, since we prepared the letter, we have a goal for 1986 of

$9.6 million. As of today, we've spent $9.2 million, so I think we're going to make our goal for this year.

Mr. RICHARDSON. Thank you, General. Colonel, you had raised your hand.

Colonel THOMAS. Yes, sir; I just want to reinforce what General Owens was saying and what some of the other commanders were saying, too. If we look at ourselves as running a base, which Cannon does and which Holloman does and which is part of what I do, we're doing very well, because we're going out and finding those services that it takes to run a base.

In my own case, I have about a $7 million budget that basically is mine, and 46 percent of that goes to small businesses—13.4 percent goes to the 8(a) arena already. So in terms of looking for those services that support a base, as such, we're doing very well.

But as General Owens pointed out and as I point out, our bases really need it because we're supporting high technology. I support 165 activities at Kirtland, and there's no other base in the Department of Defense that comes close to the number that I support.

And what we're trying to do, I think, is turn the corner, and we are just now starting to scratch the surface. We are just now, in the last couple of years, identifying firms that are growing and building and are able to handle that technology for us. So now we're starting to see the small contracts come out. To do that, we have to take a look at some of the bigger ones. We are. We're looking at a multimillion dollar contract coming up soon. And I don't really want to talk about it now, but it will probably be $20 million plus, and we're working in the 8(a) arena.

So I think, really, that's the wave of the future. I think the business of having a prejudice, if you will, having people feel a certain way about whether or not they can do business, is passing. I think we have wiped that out with the waves of success that we've shown at our base and some of the other installations here. And now I want to keep that wave going in the future, and I think it's coming.

Mr. RICHARDSON. I would urge many of you, for example, General Owens, when you have your fair in Las Cruces, have another one in Santa Fe, have one in Chama, have one in Albuquerque. I mean that very seriously because I think you will find some firms that you might do business with. And I know I'm emphasizing high technology to you and SDI, but I want that maintenance, those cement and painting contractors, whatever, I want them to do well, too. My message on the outreach issue is that we all make an effort there.

And Colonel Peixotto, I would like to just address one thing that you said. You mentioned the long lead-time and the red tape in contracting with the 8(a)s. Do you think there should be a strict timetable for the completion of 8(a) distribution and dissemination of decisionmaking?

Colonel PEIXOTTO. It would be very helpful if there could be. However, when you get into a negotiation status, it is difficult to set strict timetables. And we do, of course, negotiate 8(a) contracts.

If we start out with the Government's estimate and the contractor's proposal being close, then we can reach closure rather quickly. I've had that happen with Ike Monty Construction, who's here

in the room. If you start out pretty far apart, it takes a long time. That happened to us with Bradley Construction, where it took a long time to reach closure. So while a strict timetable would be desirable, I'm not sure it's very feasible when you're facing a negotiated contract.

Mr. RICHARDSON. Colonel Wiltrout.

Colonel WILTROUT. Just in closing here, I would like to mention that although Cannon is small, 75 percent of all of our business contracting goes to small businesses. We would like to see more support from the SBA to develop 8(a) contractors in the local area. We only have the one, and that makes it difficult for us to support the program and not support the community at the same time. We would like to be able to do both. And we do support businesses in the local area and encourage their participation in the 8(a) program, but we still only have the one.

Mr. RICHARDSON. Do any of you wish to add anything?

Mr. TORRES. Mr. Chairman, let me just make one comment, echoing what you've said to the gentlemen here and lady as weaknesses, and that is meeting 8(a) goals. I think that was stated by Ms. Muller in her testimony, and I would defer to her again.

You know, this fast-track effort can only be accomplished if the personnel involved in procurement activities—and that's the buyers, the technicians, the department heads, and the engineers—are really held accountable. Their job performance evaluations must—I repeat, must include 8(a) procurement activities. And obviously, outstanding performances by them in the area should be rewarded. And those that don't deliver and don't perform ought not be rewarded. And I think that would make an important difference in the way that contracts are let out. Thank you, Mr. Chairman.

Mr. RICHARDSON. I want to thank the witnesses once again. I guess the message is that the delegation and the Small Business Committee urge you very strongly to proceed expeditiously with doing everything you can to meet these 8(a) goals.

I do think, Mr. Chairman, that we need to refine them in legislation. I think we need to look at an across-the-board oversight at whether 8(a) is fulfilling its goals across the Nation and specifically in States like New Mexico, with primarily Hispanic and Indian firms in the high-technology area.

Gentlemen and ladies, I wish to thank you for appearing before this committee. The delegation next week will be holding another one of our seminars. We find it very instructive, and we hope you keep this dialog going with this committee, with the 8(a) contracting people, with NEDA and with the Small Business Administration.

I think we're all trying to achieve the same goal and somehow there's a little impatience. But I think it's rightful impatience because we've got a State with high unemployment and a lot of small businessmen, 8(a) minority businessmen, that I think are out there. They want to work. They may not have the resources to compete with the higher firms in terms of contract availability. But I think if you commit yourselves to the fulfilling of those goals, we'll have some progress, and the progress has not been fast enough. We've done well in the last year since we met, but we've got to do more. We need to perform more efficiently, more adequately. We need

more outreach. Once again I wish to thank you for coming here, especially from as far as White Sands. You replaced Colonel Fulweiler?

General OWENS. General.

Mr. RICHARDSON. General Fulweiler.

General OWENS. You demoted both of us.

Mr. RICHARDSON. With so much top brass, I have an inferiority complex. Thank you very much, all of you.

Our next witness is Mr. Don Bryson, from the Los Alamos National Laboratory; Mr. Richard Russell, director of purchasing materials and management at Sandia. Mr. Bryson, please proceed. Your statement is inserted in the record in its entirety. I see that it is quite a substantial statement. I will ask you to summarize it, and welcome to this committee.

TESTIMONY OF DONALD N. BRYSON, DIVISION LEADER, MATERIALS MANAGEMENT DIVISION, LOS ALAMOS NATIONAL LABORATORY, LOS ALAMOS, NM, ACCOMPANIED BY TERESA TRUJILLO, SMALL AND DISADVANTAGED LIAISON OFFICER

Mr. BRYSON. Thank you very much, Congressman Richardson, committee members. I am Don Bryson, division leader of the materials management division, Los Alamos National Laboratory. I would like to mention a few things about the geographic situation and also the problematic situation at Los Alamos that impact upon our record in connection with small minority business and where we're placing it.

We are operated by the University of California under a prime contract with the U.S. Department of Energy. Our primary mission is basic scientific research and the application of that research to problems of national security. In staff and technical facilities, Los Alamos is one of the largest multidisciplinary, multiprogram national laboratories in the United States. It is recognized as one of the most prestigious scientific institutions in the world.

We are located on 43 square miles in northern New Mexico, and we employ about 8,000 people. In addition, several other organizations are directly related to the laboratory's operation. Among these are the Los Alamos Office of the Department of Energy [DOE] which administers the University of California's contract for laboratory operations; Pan-American World Services, Inc., the laboratory's on-site support services subcontractor; Mason-Hanger, the laboratory's protective services contractor; and a local office of the EG&G Corp. These organizations employ an additional more than 2,000 people. The laboratory's impact on the region's economy is therefore immense not only in employment but in the large volume of goods and services needed from the business community in carrying out its operations.

Our fiscal year 1986 operating budget was approximately $800 million, which, through a multiplier effect, had an impact on the regional economy in excess of $2.5 billion.

The laboratory takes a great deal of pride in the manner in which it maximizes the opportunities for small and small disadvantaged businesses to supply some of those necessary goods and services that we require at the laboratory. Over the years, we feel we

have established an excellent track record through an aggressive outreach program which identifies new small disadvantaged businesses as sources of supply; through an inreach program which involves all laboratory personnel in the achievement of small disadvantaged business goals and objectives.

We feel that it is particularly important, in Los Alamos' case, to educate our internal personnel, as well, about the importance of our programs. This means not only the purchasing personnel, but also our technical people who generate the requirements that we buy.

We also put a great deal of emphasis upon being a good neighbor in the community in which we live, which includes the entire northern part of New Mexico, as well as the State at large. We feel this is reinforced by the entire nature and structure at the laboratory, beginning with the director.

We place a great deal of importance on providing purchasing opportunities for small minority businesses, and we feel that this is reflected in our record; in fiscal year 1984 we spent over $100 million with small businesses, and disadvantaged businesses volume was $7 million.

Both of these met or exceeded the goals established in fiscal year 1984. In fiscal year 1985 we exceeded both of those figures again, with small and disadvantaged business awards at $7.2 million and small business awards at $130 million.

In New Mexico awards only, we awarded in fiscal year 1984, $148 million and in fiscal year 1985, $281 million to New Mexico firms. The small business figures for those years, 1984 and 1985, were $45 million and $63 million respectively, and the small and disadvantaged were $4.5 million and $5.1 million respectively.

We believe that our achievements are significant, and we continually attempt to develop approaches that elicit additional participation by small and minority businesses. We believe we have done a good job, we believe we can do a better job, and we are working toward that.

As you all are aware, a national laboratory is a prime contractor, and we are not able to place direct 8(a) contract awards. Therefore, we do not have any 8(a) goals, nor do we award to 8(a) firms as a function of their being 8(a) firms. However, we put a great deal of emphasis upon doing business with minority firms, many of whom happen to also be 8(a) contractors.

During fiscal year 1984 and 1985 the laboratory issued over 5,600 contracts to disadvantaged businesses. These were awarded to 212 businesses in fiscal year 1984 and to 221 minority businesses in fiscal year 1985. The total value of these contracts exceeded $14 million.

Many 8(a) firms have shared in the laboratory's success through the competitive bid process. The vast majority of the 57 8(a) contractors on the New Mexico roster are in construction-related industries. The laboratory placed 102 competitive awards, valued in excess of $1.5 million, with these firms. At the present time, the U.S. Department of Energy currently awards all construction contracts in connection with the support of laboratory programs. These laboratory-related contracts for construction-type work are placed with 8(a) firms by the Department of Energy. In fiscal years

1984 and 1985 the DOE placed 36 contracts for the laboratory, valued at $3.2 million, under the 8(a) Program. The Department of Energy contracting activities for the laboratory with 8(a) firms exceeded a total of $4.7 million during this 2-year period.

The laboratory's successful Small and Disadvantaged Business Program shows that the goal of maximizing business opportunities with minority businesses is being achieved.

We feel that the success of the program is based upon an outreach effort on our part, because, as some people have said in the past, it is important to begin the process, and it is equally important, of course, to finish it.

The Outreach Program includes interactions with the National Minority Supplier Development Council and its regional affiliate, the New Mexico Minority Supplier Development Council and its regional affiliates, the Black Communications Forum, the Indian business community, the SBA, the Department of Energy, various chambers of commerce throughout the State, State and local governments, and also working with National Economic Development Association, with Ms. Muller and other community and minority organizations.

As a matter of fact, the last time I had the opportunity to meet Congressman Richardson, he introduced me to an 8(a) firm called NebArk, in Los Alamos. And since that introduction, we have entered into a number of contracts with NebArk, and they are providing very satisfactory service to the laboratory, and we appreciate that contact and that introduction.

We make a concerted effort to provide information to disadvantaged businesses about laboratory procurement opportunities and to facilitate contacts between businesses and our technical and purchasing staff. In fiscal year 1985 alone, the laboratory participated in 14 small and minority business conferences, 10 of which were located in the State of New Mexico. Participation ranged from cosponsorship of activities to seminar and workshop presentations, trade fair exhibits and the dissemination of information about opportunities at the laboratory.

Additionally, we actively support these various organizations associated with minority business development. I previously mentioned the New Mexico Minority Supplier Development Council; the lab also has a Community Council, the Los Alamos Economic Development Corp., and the Industrial Initiatives Roundtable.

I currently serve on the Los Alamos Community Council. I am chairman of the New Mexico Supplier Development Council board of directors and have served as vice chairman to Mr. Russell, from Sandia, for the past year. An associate division leader of our materials management division is also on the board of directors.

The laboratory's small business liaison officer is on the board and is also on the Industrial Initiatives Roundtable and has served as trade fair chairman for our annual minority business trade fair, sponsored by the New Mexico Minority Supplier Development Council. This trade fair is attended by over 400 corporate and minority business and Government purchasing personnel every year and is one of the more successful in the entire country, and this is done on an annual basis.

The laboratory believes there are many ways to support small and disadvantaged business development, and laboratory personnel are aware of these concerns. One of the ways is through our sponsorship of expositions or expos, which are conferences very similar to the trade fair concept. Approximately 2 years ago, Tom Daven, who was then the Deputy Director of Procurement for DOE, testified before this subcommittee and cited as an example of one of the outreach activities the expos being held at Los Alamos.

In 1981, 1983, and again in July 1986, the laboratory coordinated expos at Los Alamos to provide small disadvantaged businesses direct access to the laboratory's purchasing personnel and in particular to technical personnel who use the products provided by small business concerns. Laboratory employees representing our technical and purchasing organizations participated in the expos and operated information booths to discuss laboratory technical requirements and to provide specific information on procurement policies and procedures. Areas of emphasis ranged from automated data processing hardware and software requirements to specialized construction services and raw materials. The northern part of New Mexico was targeted for the 1986 Expo, and future meetings will spotlight the middle and southern part of the State. Expo's success is attributed to the support and visible endorsement of these activities by laboratory senior management who place Small and Disadvantaged Business Program responsibility on all organizations of the laboratory.

Our most recent one was done in conjunction with some of the activities and efforts that Congressman Richardson brought us in July 1986.

As a result of that, over 400 firms attended, and there were booths set up by the laboratory personnel, the purchasing and technical people, to permit the vendors who wanted to call on the laboratory to have direct, one-on-one contact with laboratory people about the kinds of products and services they could offer to us.

As a result of Expos I and II, the two previous ones in 1981 and 1983, over $4 million was subsequently spent with minority businesses that previously had not done business with the laboratory, so we feel that this has been very successful for us in the past. We have every reason to believe that Expo III, the one held in July 1986, will have similar success or better, because it had the largest attendance of the three so far with over 350 attendees.

We believe the success of that program is attributable to the support and the visible endorsement of these activities by the laboratory's senior management, beginning with Director Sig Hecker.

Some of the comments that came out of Expo III, and we're still getting input on ways in which we can improve them, I would like to read just a couple of direct quotes from them. So far we have received 40 commentary sheets. Every one has rated the Expo as either very good or excellent.

Some of the specific comments were, "Awareness of the processes required for doing business with Los Alamos was heightened, through the excellent laboratory and procurement overviews. The opportunity to meet laboratory buyers, requesters and administrative-level people in the booth displays," was also very helpful. Several comments expressed appreciation "for reaching out to the

business community and recognizing their existence." We think that this is particularly important because the communication process is the basis upon which those businesses wind up doing business with the laboratory.

DOE recognized the Expo method as a unique method of outreach and one which warranted inclusion in the agenda at the 1984 DOE National Small and Disadvantaged Business Utilization Conference. The laboratory's small and disadvantaged business liaison officer presented a discussion of the format and implementation of this expo activity.

As far as our inreach activities, we have training and other incentive programs for our buyers. I think some of the witnesses have already touched upon the critical importance of obtaining commitment, and also several have touched upon sometimes commitment seems to arise at the top of the organization, but falters perhaps as it goes through the organization. At Los Alamos we put a great deal of emphasis upon ensuring that the Director's commitment is realized and fulfilled by people all the way down to the purchasing and technical requester levels.

To this end, in fiscal year 1985 we trained 80 buyers and procurement personnel in connection with policies, procedures, and general discussions on laboratory goals and objectives as they pertain to small and disadvantaged business contracting. Meetings were also convened with technical staff to ensure their support, as well.

In fiscal year 1986, meetings were held with 60 technical/mechanical fabrication requesters to raise awareness and promote minority suppliers of those specific services. A Buyer Award Incentive Program is conducted yearly and recognizes buyers for outstanding performance in assisting disadvantaged business. In fiscal year 1984 and fiscal year 1985, 28 buyers and procurement assistants were recognized by laboratory senior management and given the opportunity to participate with the laboratory's small business liaison officer in various program activities which included attendance at the SBA's Small Business Week activities in Washington, DC, the National Minority Supplier Development Council's annual meeting, the regional Supplier Development Council's annual meeting, the Albuquerque Hispano Chamber's annual meeting, the National Indian Industrial Trade Fair, and other outreach activities throughout the country. This program demonstrates the laboratory's commitment to small minority business development activities and also maintains a high level of enthusiasm among our buying staff.

In addition to our direct efforts and the results mentioned above, the laboratory requires all of its subcontractors, in the performance of their subcontracts with us, to provide the maximum practicable opportunity to small and disadvantaged businesses. Moreover, the laboratory ensures that major subcontractors are in full compliance with Public Law 95-507 and requires them to have an acceptable plan, program, and goals for contracting with small and minority businesses. Plans are reviewed and approved by the laboratory prior to subcontract award and monitored on a quarterly basis. Major Laboratory subcontractors are monitored through onsite visits conducted semiannually. As a result, major subcontractors spent over $22.6 million with small businesses and over

$2.2 million with disadvantaged businesses in fiscal year 1985. The laboratory's major onsite support services subcontractor, Pan-American World Services, Inc., will contribute to an increase in these statistics in fiscal year 1986. They have established a $20 million goal for subcontracts with small businesses and a $2.2 million goal for subcontracts with small disadvantaged businesses during their first 15 months of operation which began July 1, 1986.

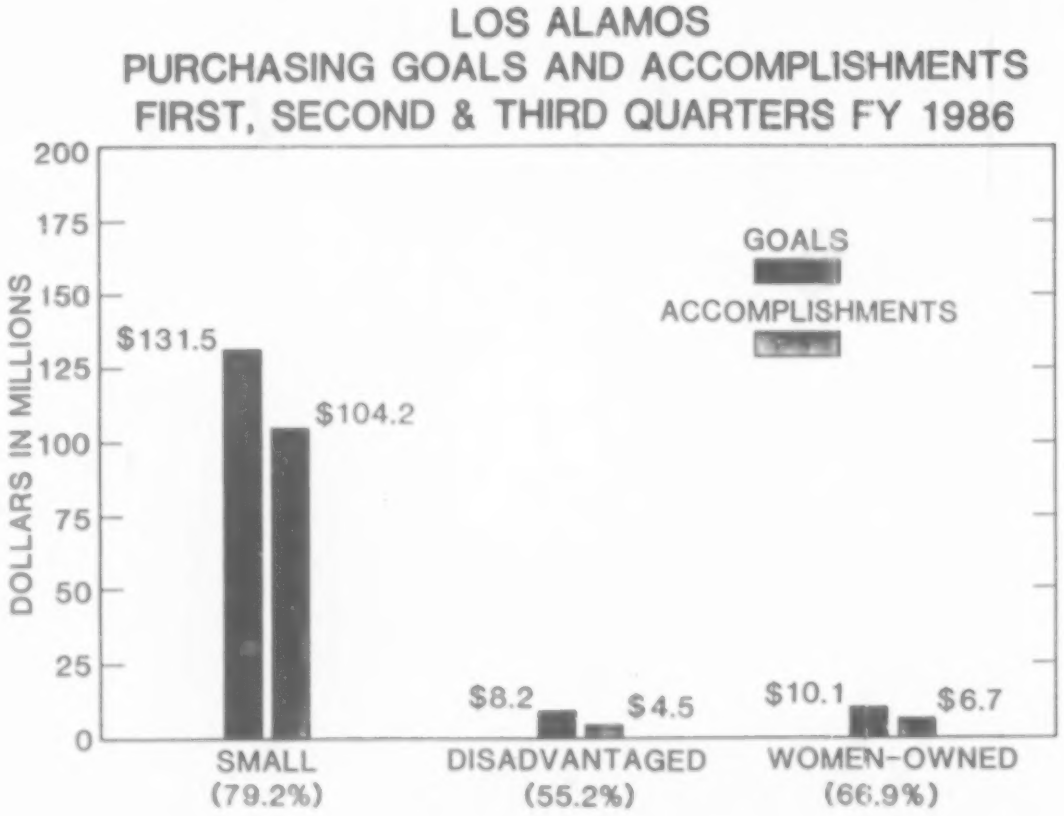
We believe that small, minority, and woman-owned businesses are encouraged to pursue business opportunities at the laboratory. We want to facilitate that by providing direct access to not only the purchasing personnel, but also our technical people. To that end, we provide a vendor's lobby, located next to our purchasing organization. We also provide space in the laboratory's weekly news bulletin in which they can announce their upcoming visits and the products and services which they wish to discuss their requirements with laboratory personnel.

We believe we have served the business community well. As I say, we feel that we can do even better than we've done so far. Some of the recognition that we have received has been from the Small Business Administration in 1985 and the Department of Energy in 1979 and 1982. The State of New Mexico passed a memorial recognizing the laboratory's efforts in 1985, and the New Mexico Minority Supplier Development Council recognized the labs in 1981 and 1985.

I fully realize the impact that subcontracting has on economics and understand that the goal of small and disadvantaged business development is a viable goal for ensuring prosperity. The laboratory is fully committed to support these goals for the mutual benefit of the laboratory and the small and disadvantaged business community.

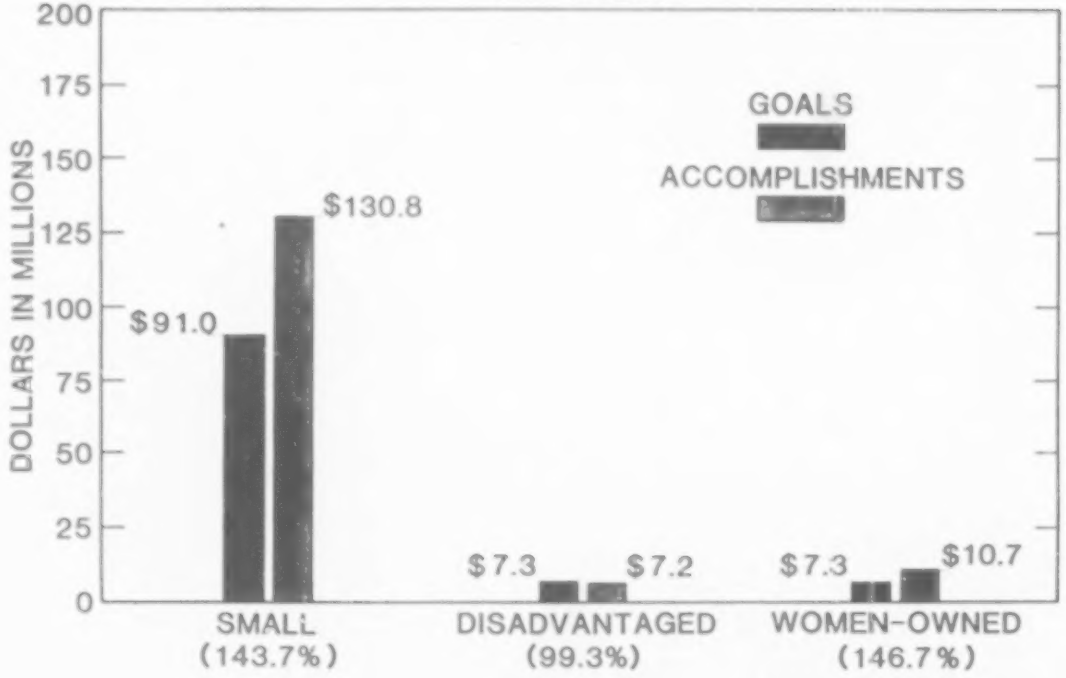
We are proud of our record so far, and we are looking forward to doing even better in the future. Thank you very much.

[Mr. Bryson's attachments to testimony follow:]

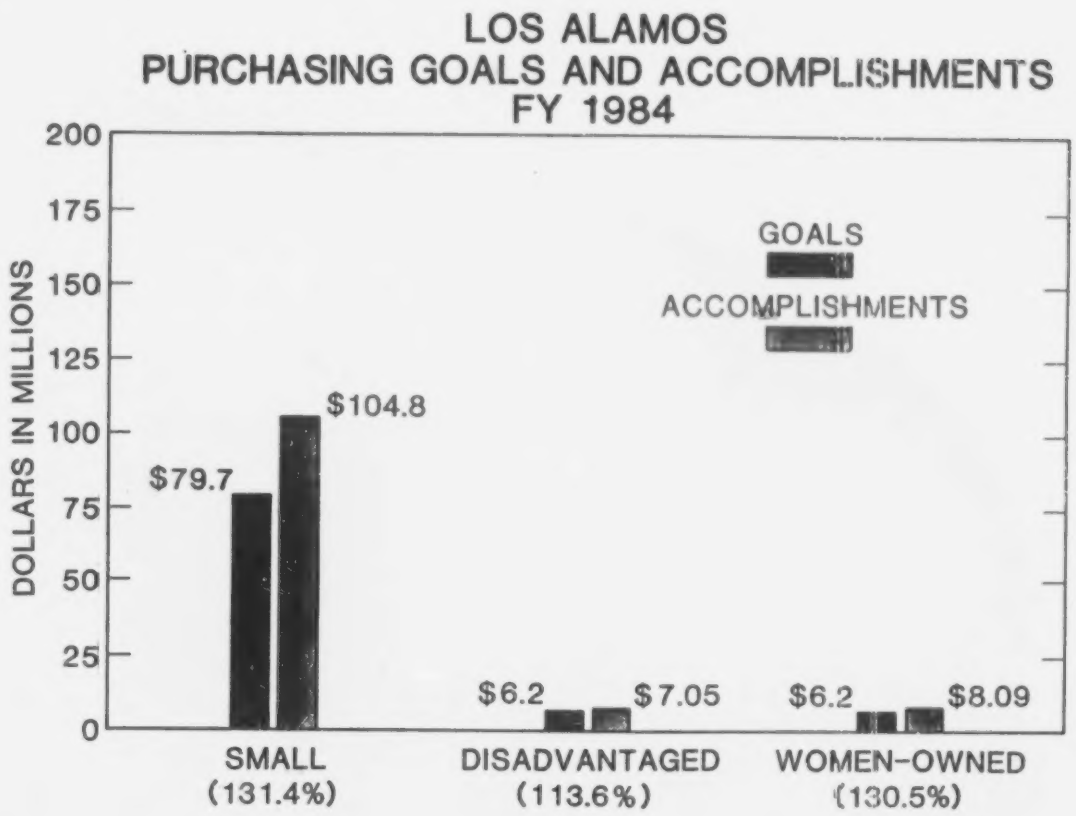


ATTACHMENT A

LOS ALAMOS
PURCHASING GOALS AND ACCOMPLISHMENTS
FY 1985



ATTACHMENT B



ATTACHMENT C

LABORATORY AWARDS IN NEW MEXICO

	FY84	FY85
Total	$ 148.2 M	$ 251.4 M
Small Business	$45.1 M	$ 63.6 M
Minority	$ 4.5 M	$ 5.1 M
Women	$ 6.6 M	$ 7.4 M

Los Alamos

Attachment D

LABORATORY SMALL BUSINESS RECOGNITION INITIATIVES

- CHARTER MEMBER - NEW MEXICO MINORITY SUPPLIER DEVELOPMENT COUNCIL (NNMSDC), 1976.

- RECIPIENT OF THE NMMSDC'S MINORITY BUSINESS DEVELOPMENT AWARD, 1981, PRESENTED TO A CORPORATION MEMBER FOR OUTSTANDING SUPPORT OF MINORITY BUSINESS DEVELOPMENT.

- RECIPIENT OF THE U.S. DEPARTMENT OF ENERGY'S SMALL BUSINESS AWARD, 1979 & 1982, IN RECOGNITION OF SUPERIOR PERFORMANCE AND MERITORIOUS SUPPORT OF THE SMALL BUSINESS PROGRAM.

- RECIPIENT OF THE U.S. SMALL BUSINESS ADMINISTRATIONS'S SMALL BUSINESS DEVELOPMENT AWARD, 1985, PRESENTED TO A LARGE BUSINESS THAT HAS SUPPORTED AND STRENGTHENED SMALL BUSINESS BY PROVIDING UNIQUE OPPORTUNITIES FOR SMALL FIRMS TO GROW AND PROSPER.

- RECIPIENT OF A STATE OF NEW MEXICO SENATE MEMORIAL, 1985, FOR ASSISTING AND CONTRIBUTING TO THE DEVELOPMENT OF SMALL-BUSINESS ENDEAVORS IN NEW MEXICO.

- RECIPIENT OF THE NEW MEXICO MINORITY SUPPLIER DEVELOPMENT COUNCIL'S CORPORATION OF THE YEAR AWARD, 1985.

- NOMINATED FOR THE U.S. SMALL BUSINESS ADMINISTRATION'S SUPERIOR PERORMANCE AWARD, PRESENTED FOR PERFORMANCE EXCEEDING CONTRACTUAL OBLIGATIONS IN THE SOCIOECONOMIC PROGRAM AREAS, 1985.

Attachment E

Mr. RICHARDSON. Mr. Russell.

TESTIMONY OF RICHARD R. RUSSELL, DIRECTOR OF PURCHASING MATERIALS AND MANAGEMENT, SANDIA NATIONAL LABORATORIES, REPRESENTING IRWIN WELBER, PRESIDENT

Mr. RUSSELL. Thank you, Mr. Chairman and Congressman Torres. My name is Dick Russell, director of purchasing materials and management at Sandia National Laboratories in Albuquerque.

Sandia National Laboratories has been operated by AT&T Technologies on a nonprofit, nonfee basis for the Department of Energy since 1949. Sandia is not a Federal agency and conducts its procurement based on the provisions of the prime contract between DOE and AT&T Technologies.

As a prime Government contractor with the Department of Energy, our management operating contract has a management subcontracting plan that is in direct compliance with Public Law 95–507. Our organization follows the requirements of Public Law 95–507 that all subcontracts placed with large businesses in excess of $500,000 or $1 million for construction requires them to submit a plan similar to our plan with DOE. Our small business office addresses small, small and disadvantaged, and woman-owned business goals on an annual basis.

Your invitation to appear before this committee requested the following specific information: Fiscal year 1984 and 1985 goals for small business, 8(a) and other direct small and disadvantaged business awards, as well as achievements against these goals for that same period.

These data were supplied in our previously furnished testimony, and in the interest of time, I would like to summarize them. First, small business.

In 1984, our goal was to place $208 million into small business. We placed $242 million or 116 percent of our goal. In 1985, our goal was $234 million, and we placed $302 million or 129 percent of our goal. In the first two quarters of 1986, we have placed $145.4 million or 63 percent of our goal with small business.

The percentage of small business awards of total procurements in 1984, 1985, and 1986 are 57, 62, and 63 percent, respectively. In direct, small and disadvantaged awards, we achieved the following: In 1984, we placed $26.5 million or 108 percent of our goal. At the close of fiscal year 1985, we awarded $28.8 million or 105 percent of our goal to small and disadvantaged business. In the first two quarters of fiscal year 1986, we have awarded $15.2 million or 47 percent of our goal to small and disadvantaged businesses. During this period, we have consistently awarded over 6 percent of our total purchases to small and disadvantaged businesses.

In regard to 8(a) awards, as a management and operating contractor for the Department of Energy, we are not eligible under the law to participate in the 8(a) Program. However, we recognize that business firms which achieve 8(a) status have met extensive certification requirements, and we are making special efforts to include them in our supply base.

We have increased staff in our small and disadvantaged liaison office to achieve this. Our outreach efforts are detailed in the previ-

ously supplied testimony. We have established an internal goal of doubling the number of 8(a)'s we do business with for fiscal year 1986 and, using 1986 results as a base, doubling the dollars in fiscal year 1987. We are deeply committed to achieving these goals.

As requested, we have listed awards made to 8(a) contractors in our written testimony. In summary, we have awarded $500,000 in fiscal year 1984, $875,000 in fiscal year 1985, and $1,063,000 thus far in fiscal year 1986. I would like to emphasize that these awards have been made on a competitive basis and we feel demonstrate the ability of the 8(a) contractors to compete effectively for our requirements. We appreciate the opportunity to present these results.

[Mr. Russell's prepared statement, with attachments, follows:]

PREPARED STATEMENT OF RICHARD R. RUSSELL, DIRECTOR OF PURCHASING MATERIALS AND MANAGEMENT, SANDIA NATIONAL LABORATORIES, REPRESENTING IRWIN WELBER, PRESIDENT

Irwin Welber
President

Sandia National Laboratories
Albuquerque, New Mexico 87185

The Honorable Parren J. Mitchell
House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Representative Mitchell:

Sandia National Laboratories is pleased to submit the enclosed testimony prepared for the Subcommittee on SBA and SBIC Authority, Minority Enterprise and Small Business Problems field hearing in Santa Fe, New Mexico, on September 8, 1986. We are pleased to have the opportunity to present our achievements in the area of small and minority business activities.

Unfortunately, I have a previous obligation which precludes my personal participation; therefore, Richard R. Russell, Sandia's Director of Purchasing and Materials Management, will represent the Laboratories at this hearing.

I want to reassure you of our Management's deep commitment to furthering the gains already achieved with small and disadvantaged businesses.

Sincerely,

Irwin Welber

Enc: As noted

Sandia National Laboratories

Socio-Economic Program

Introduction

Sandia National Laboratories has been operated by AT&T Technologies, Inc. on a non-profit, non-fee basis for the Department of Energy since 1949. Sandia is not a federal agency and conducts its procurement based on the provisions of the prime contract between DOE and AT&T Technologies.

Sandia has a deep commitment to both the letter and the spirit of the socio-economic legislation that is designed to help move small and disadvantaged companies into the mainstream of the American economy. Our commitment is reflected in the results of our procurement awards to small and minority-owned business organizations. Historically, Sandia National Laboratories has been a leader in the entire spectrum of contracting with small and disadvantaged businesses. Our efforts have resulted in a steady increase in business awarded to those two segments of our supplier base. Small business awards have increased from approximately $30 million in 1972 to over $300 million in 1985. Likewise, awards to small disadvantaged businesses have grown from approximately $275,000 in 1972 to over $28 million in 1985. These data are represented graphically in Attachments 1 through 8.

Small Business

In 1985, Sandia awarded $302 million or 62.7 percent of our total procurements to small business. We achieved 129.3 percent of our small business goal.

In 1984, we awarded $242.8 million or 57.1 percent of total procurements to small business. This represented 116.4 percent of our goal.

During the first two quarters of 1986, we have awarded $145.4 million or 63.1 percent of total procurements to small business.

Based on this performance, we believe we are among the leaders in terms of national laboratory involvement with small business. A joint Department of Energy/Small Business Administration review of our program in 1985 resulted in an "Excellent" rating. In addition, we have been nominated by SBA to receive one of their highest achievement awards for Superior Program Performance. This award is based on the maximum practicable opportunities Sandia has provided to the small and disadvantaged business community.

Disadvantaged Business

In 1985, we awarded $28.8 million or 6.0 percent of our total procurement dollars to small disadvantaged business. This represented 104.7 percent of our goal.

In 1984, we awarded $26.5 million or 6.2 percent of our procurement dollars to small disadvantaged business. This represented 108.2 percent of our goal.

In the first two quarters of FY86, we have awarded $15.2 million or 6.6 percent of our total purchases to minority firms.

Since 1982, we have received recognition on an annual basis from both DOE and SBA on our achievements in exceeding our goals for disadvantaged business.

8(a) Activities

Sandia, as a management and operating contractor for the DOE, is not authorized by public law to participate in the 8(a) contracting program. The law restricts such participation to government agencies. The restriction also applies to Sandia subcontractors.

This restriction has not prevented us from affording 8(a) contractors an opportunity to compete for Sandia business. In FY85 we awarded $874,000 to 8(a) contractors located in New Mexico. During the first ten months of FY86 we have already awarded $1,019,265 to 8(a) firms in New Mexico.

In addition to direct contracting activities by Sandia with 8(a)'s, the Department of Energy contracts under the auspices of SBA with 8(a)'s for facilities at Sandia. In 1985, they placed an 8(a) contract for a cafeteria extension valued at $2 million.

Sandia recognizes that small business firms who achieve the 8(a) certification have met extensive certification requirements. We have, therefore, initiated specific actions to seek out 8(a) firms and encourage them to compete for Sandia business. These actions have included meetings in FY85 and FY86 to explain Sandia's purchasing procedures and to encourage 8(a) firms to compete for Sandia business. As a direct result of knowledge acquired during a seminar conducted by Sandia for 8(a) construction contractors on July 14, 1986, one of the attendees has received a contract for $24,585, and several more are participating in the Sandia procurement process by regularly receiving requests to quote Sandia's construction requirements. We expect that these companies will become regular suppliers to Sandia. A second meeting with the other New Mexico 8(a) contractors is scheduled for the near future. In addition, our Supplier Relations personnel are attempting to identify other qualified 8(a) contractors who attend small business conferences and trade fairs across the nation. Once identified, our personnel assist these firms in marketing their goods and services to Sandia.

A listing of the Sandia awards to 8(a) contractors during FY84 and 85 is presented in Attachment 9 and the results for the first ten months of FY86 are shown in Attachment 10.

Sandia will continue to seek out and encourage 8(a) certified contractors to compete for Sandia business. This effort will be accomplished as a part of the outreach program described below.

Sandia's Outreach Program

Results such as those we have described above do not simply occur. We work hard as an organization to make them happen. We feel it is appropriate to comment on those factors that make our program a success.

The success of the Sandia procurement program stems primarily from the outreach activities of our Purchasing directorate and the efforts of Sandia buyers and technical personnel to seek out qualified small, disadvantaged, and women-owned business firms to compete for Sandia business.

As part of this effort, Sandia's Supplier Relations and Purchasing Information Division conducts an extensive outreach program to locate firms interested in doing business with Sandia.

The outreach program is primarily aimed at small, minority-owned businesses. The program involves activities that make business firms more aware of Sandia contracting opportunities. These activities include:

- Attendance of Sandia Supplier Relations personnel, contracting representatives and technical personnel at numerous trade fairs throughout the nation each year. Potential new suppliers are met at each trade fair and the information on those companies is distributed to the buying staff and appropriate technical personnel.

- Networking by Sandia Purchasing personnel with trade associations, Minority Supplier Development Councils, the Small Business Administration, the National Economic Development Association, state and local government, and Indian councils. The networking activity includes Sandia personnel serving in leadership positions in the New Mexico Minority Supplier Development Council. The Sandia Director of Purchasing and Materials Management has served as the Chairman and is currently on the Board of Directors of the minority council. The supervisor of Supplier Relations and Purchasing Information serves on the Board of Directors and is the Albuquerque Section Leader for Minority Business Enterprise Development. These personnel also assist the minority council in conducting the "Partners in Progress" Trade Fair held in Albuquerque each year for minority-owned businesses.

- Use by Sandia of the SBA's Procurement Automated Source System. This system gives us access to more than 130,000 small business firms nationwide.

- A library of other national small business, minority and women-owned business directories is maintained by the Supplier Relations and Purchasing Information Division.

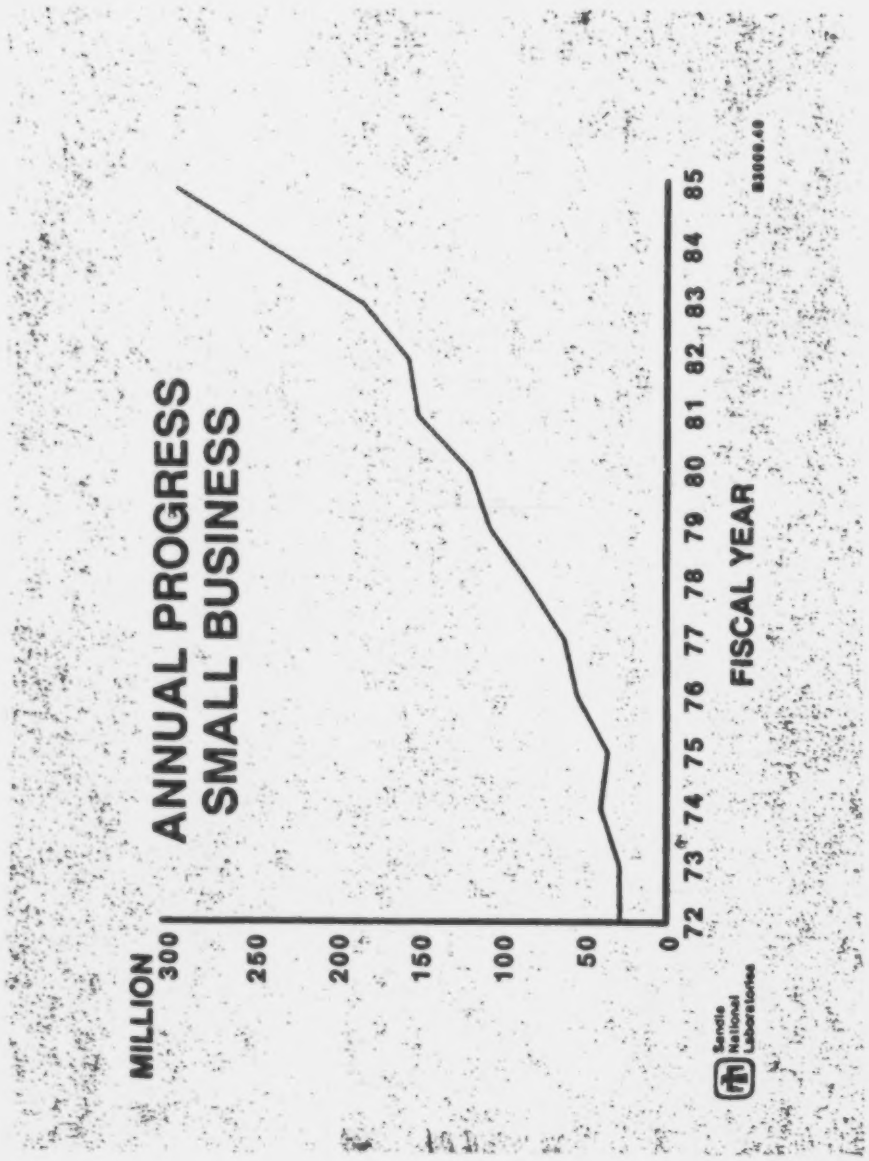
- In FY84, Sandia sponsored a conference for small, minority business enterprises in research and development businesses.

- Conducted an outreach program in New Mexico to locate small and minority-owned businesses. These programs were conducted in Carlsbad, Farmington, Roswell and Las Cruces.

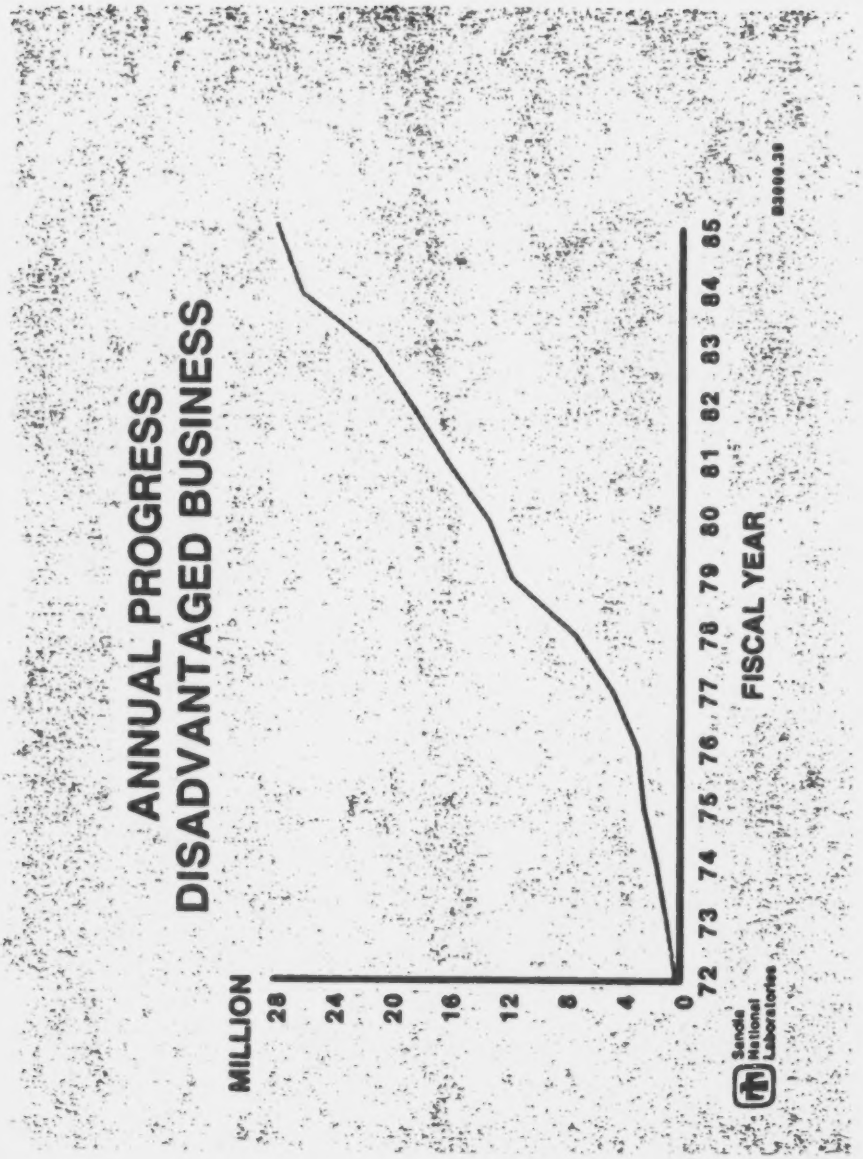
Conclusion

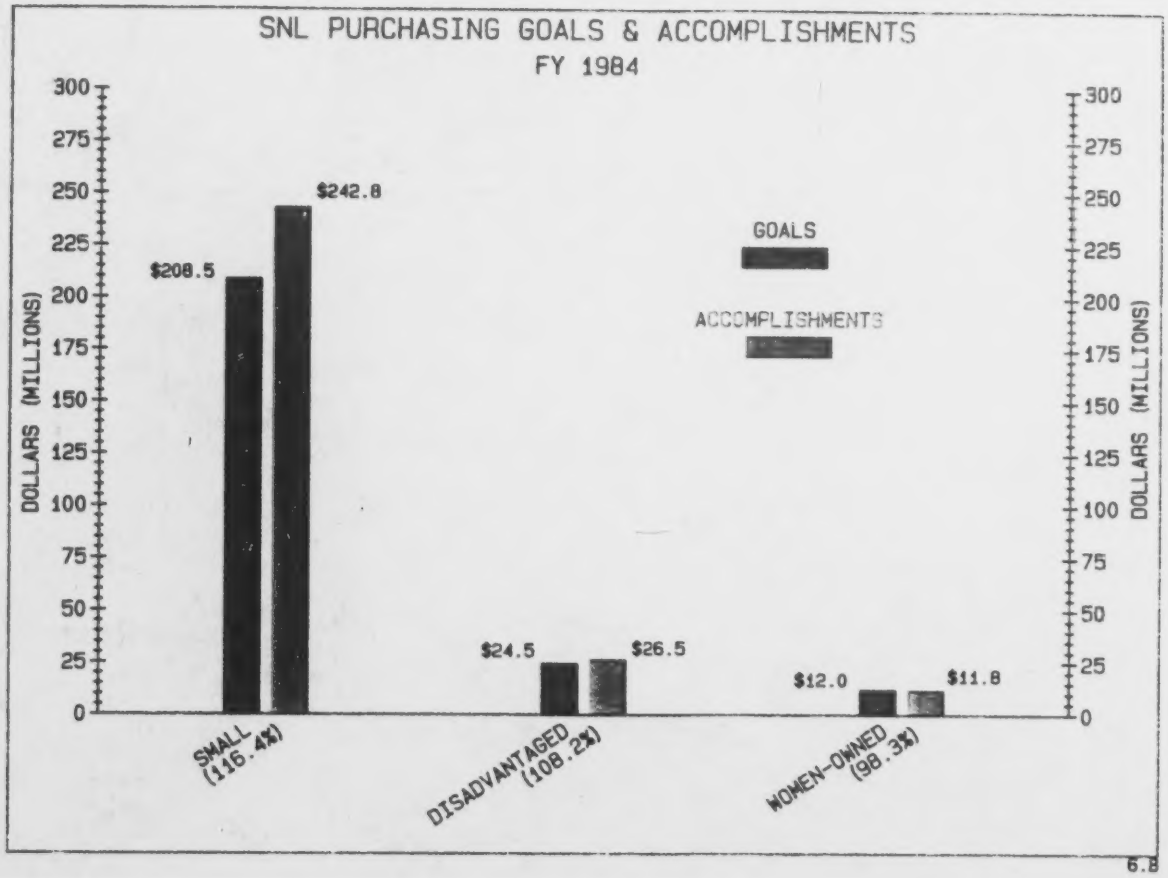
Sandia has consistently made a strong commitment to the procurement of goods and services from small, disadvantaged and women-owned business firms. It is a commitment without peer among national laboratories and it is a record that we expect to maintain and strengthen in the years ahead. We feel strongly that the small business community is the backbone of the American economy; we will continue to seek out small business firms to support Sandia research and development programs.

ATTACHMENT 1

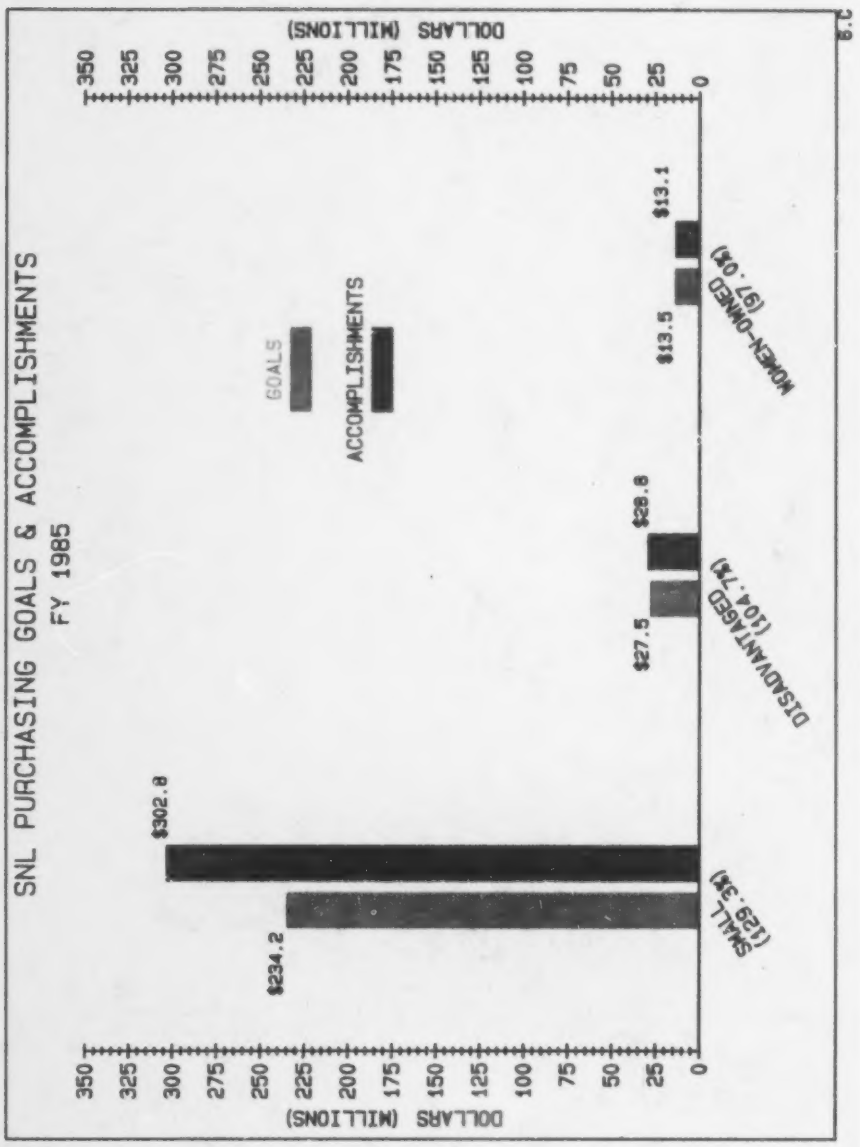


ATTACHMENT 2




SNL PURCHASING GOALS & ACCOMPLISHMENTS
FY 1984
DOLLARS (MILLIONS)
300
275
250
225
200
175
150
125
100
75
50
25
0
$208.5
$242.8
$24.5
$26.5
$12.0
$11.8
GOALS
ACCOMPLISHMENTS
SMALL (116.4%)
DISADVANTAGED (108.2%)
WOMEN-OWNED (98.3%)
6.8

Attachment 4



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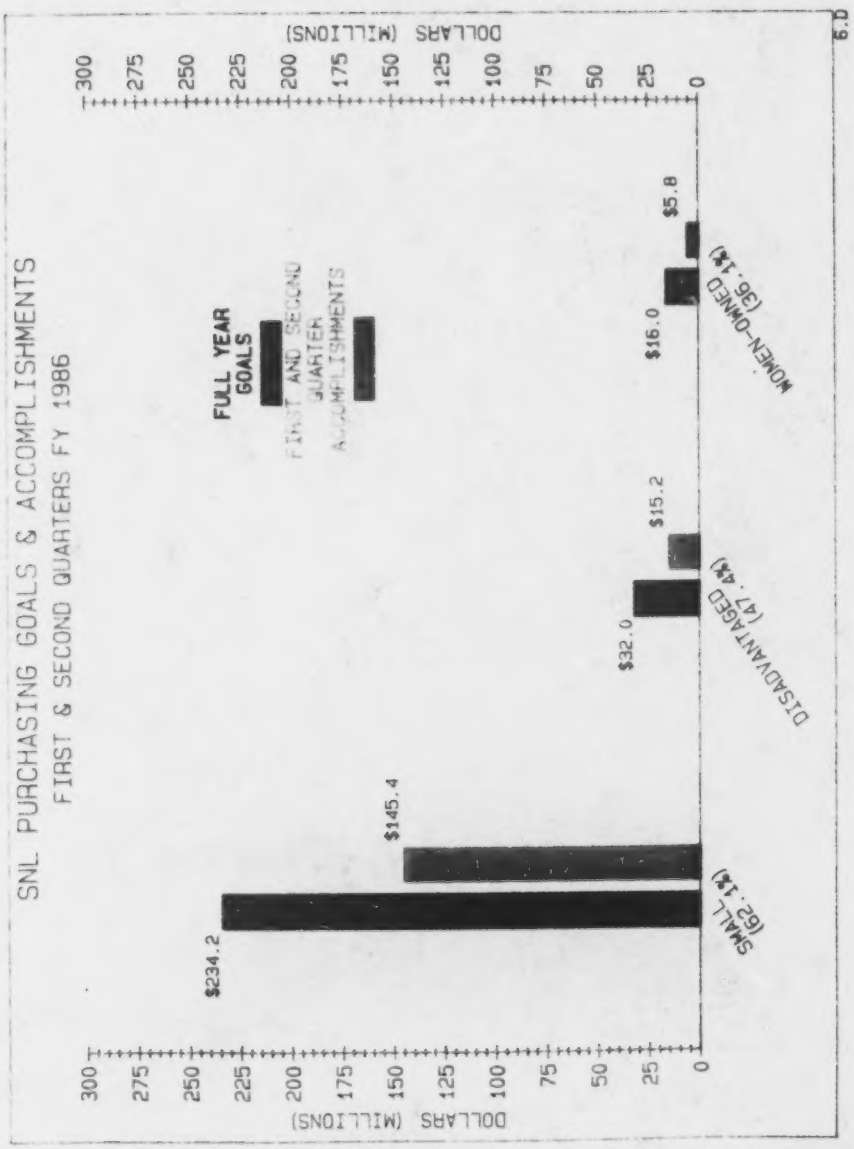

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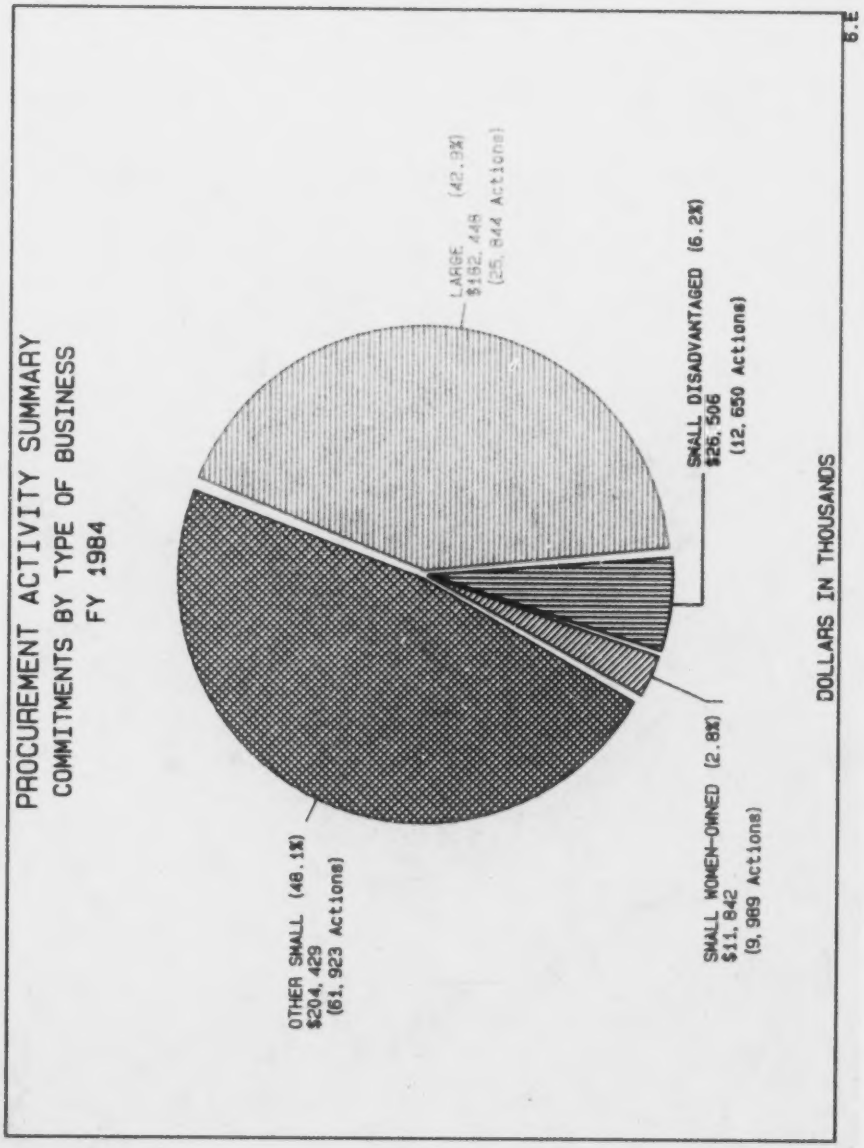
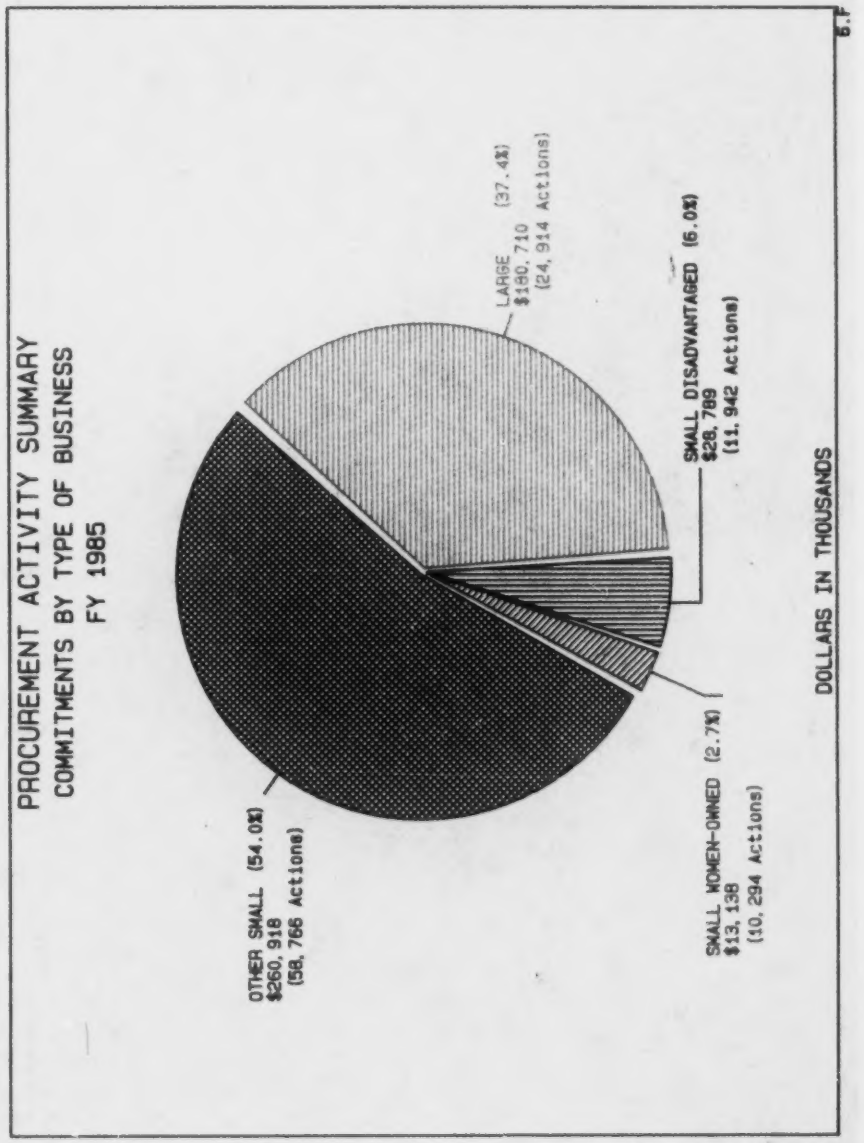
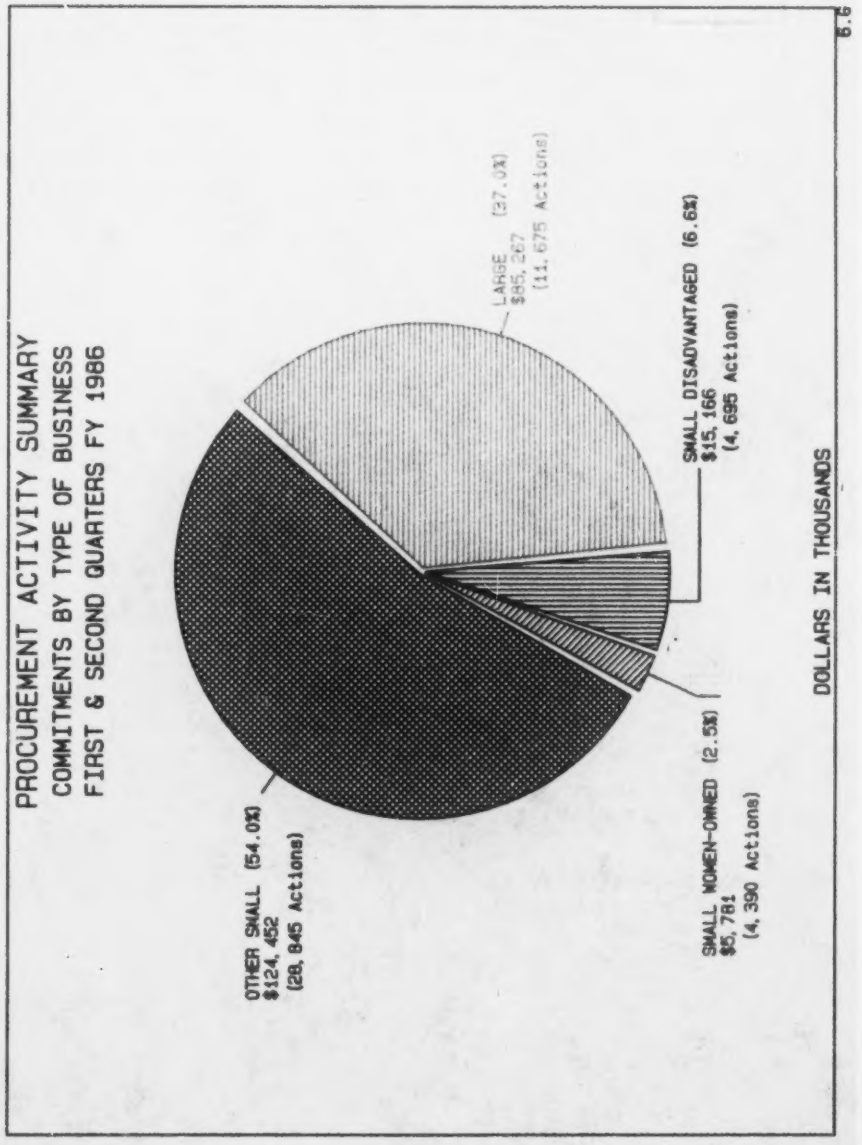


Attachment 7



Attachment 8



ATTACHMENT 9

Awards to New Mexico 8(a) Contractors
During FY84 and FY85

	FY84	FY85
George H. Cillessen, Jr. GMC Construction Company 6004 Anaheim NE Albuquerque, NM 87113 Construction		$1,721
Richard Herrera Star Drilling Company, Inc. P.O. Box 2025 Milan, NM 87021 Drilling		$144,490
Ernest Garcia Rightway Machine Company 438 Corrales, NW Albuquerque, NM 87110 Fabrication/Machining	$82,873	$39,948
Estanislao Rosales, Jr. Hi-Tech, Inc. 8109 Edith NE Albuquerque, NM 87113 Fabrication/Machining	$237,133	$530,194
Norbert E. Pohl Service Circuits, Inc. 607 Virginia SE Albuquerque, NM 87108 Printed Circuit Board Fabrication	$47,505	$60,797
Ted Martinez Martinez Custom Trailers, Inc. 7451 Pan American Freeway NE Albuquerque, NM 87109 Fabrication	$1,890	$598
Tony C. Yanez Y.E.A., Inc. 926 Sixth Street NW Albuquerque, NM 87102 Software/Programming	$88,500	$96,540
Art Torres City Painting Company 6746 Fifth Street Albuquerque, NM 87107 Printing Contractor	$50,000	
TOTALS	$507,901	$874,288

Awards to New Mexico 8(a) Contractors
October 1, 1985 through August 25, 1986

	FY86
Bobby Baca Northern Commercial Plbg & Heating 457 Washington SE, Suite H Albuquerque, NM 87108 Construction	$ 24,585
Floyd Correa Correa Enterprises, Inc. One Executive Center - Suite 8281 8500 Menaul NE Albuquerque, NM 87112 Training Services	40,360
Tony C. Yanez Y.E.A., Inc. 926 Sixth Street NW Albuquerque, NM 87102 Computer Consulting	56,000
Richard Herrera Star Drilling Company, Inc. P. O. Box 2025 Milan, NM 87021	364,549
Phil Archuleta Ojo Caliente Craftsmen, Inc. P. O. Box 67 Ojo Caliente, NM 87549	457
Ernest Garcia Rightway Machine Company 438 Corrales NW Albuquerque, NM 87110	94,197
Estanislao Rosales, Jr. Hi-Tech, Inc. 8109 Edith NE Albuquerque, NM 87113	218,715
Eustacio Griego Eng Machine Tool & Repair 3018 Tower Road SW Albuquerque, NM 87105	20,864

Awards to New Mexico 8(a) Contractors
October 1, 1985 through August 25, 1986

	FY86
Norbert E. Pohl Service Circuits, Inc. 607 Virginia SE Albuquerque, NM 87108	119,678
Ted Martinez Martinez Custom Trailers, Inc. 7451 Pan American Freeway NE Albuquerque, NM 87109	79,860
Total	$1,019,265

Mr. TORRES. Thank you, gentlemen, for your testimony. It's been very enlightening, to say the least. I have some questions. Mr. Bryson, in your statement, sir, you stated that the national laboratories, which you are one of, are not allowed to give out 8(a) contracts. Am I correct? Did you say that in your testimony?

Mr. BRYSON. Yes, sir.

Mr. TORRES. I wanted to make sure that that was the case. I'm wondering about the testimony of one of the earlier witnesses, the gentleman representing Advanced Sciences, Inc., who was receiving 8(a) contracts from Oak Ridge, which is a Department of Energy entity and a GOCO laboratory, like Los Alamos and Sandia. I don't understand. What is the statute that prohibits Los Alamos and Sandia from awarding 8(a) contracts? Perhaps you can enlighten me on that.

Mr. BRYSON. I'll try, sir. It's my understanding—and perhaps Mr. Romero or one of the people from ASI may wish to comment further on that. But it's my understanding that the awards that they got, if they were 8(a) contracts, were awarded by the Department of Energy itself and not Martin Marietta, who is the GOCO contractor in Oak Ridge. However, they are in support of Martin Marietta.

The same sort of operation currently is in existence at Los Alamos, where the Department of Energy awards construction contracts through the 8(a) process to support laboratory programs, particularly in the construction area.

So I believe that if ASI received 8(a) contract awards, that ASI received 8(a) contract awards from the Department of Energy, rather than from Martin Marietta. But as I say, perhaps Mr. Romero can address that.

Mr. TORRES. I would like to do that. It's terribly important that the committee have a better understanding of how this operates. Mr. Romero is in the audience, and I'm asking him to come down. And this is for the benefit, of course, of the committee and the witnesses assembled.

Mr. Romero, would you take a seat, sir? I asked Mr. Bryson the following question, Mr. Romero. He stated in his testimony that the national laboratories are not allowed to give out 8(a) contracts, but I understand that your firm is the recipient of DOE contracts in the 8(a) area. Did you hear his answers to my questions?

Mr. ROMERO. Yes, I did.

Mr. TORRES. Could you comment on that?

Mr. ROMERO. A GOCO, as they stated, initially is the prime contractor for an agency. Martin Marietta has established a set-aside goal for their particular company. They can negotiate with you individually, and they can also negotiate with DOE.

Now our prime contractors here, AT&T and the University of California, do not—and it's not their fault—Mr. Bryson and Mr. Russell—because they have to work with these companies—do not have set-aside goals or an 8(a) Program in place. Now my question is, why don't they? And if they don't have any, why aren't they replaced by those that do have 8(a) goals or set-aside programs? They do work for that prime contractor, and that prime contractor could easily, within a matter of 5 minutes, make a decision at his headquarters to have a set-aside program. It's very easy. It's a matter of

saying, "I want to do this," by AT&T and the University of California. It's easy. Am I right?

Mr. TORRES. Could you comment, Mr. Bryson?

Mr. BRYSON. Yes, sir; We do have small business set-aside programs. But at the same time, the 8(a) process, per se, by which an 8(a) certified firm receives a contract from the Small Business Administration in order to provide the requirements for the satisfaction of needs to other Federal agencies isn't available to any of the Federal GOCO contractors at the present time, I believe. It used to be that we did set minority business goals on ourselves, as I believe did all of the other national laboratories.

Mr. TORRES. Did that include disadvantaged——

Mr. BRYSON. Yes, sir; minority-owned business and small business.

Mr. TORRES. Let me speak to that. In your testimony, you presented a graphic illustration, as you've just said—attachment A. Would you turn to that, please?

Mr. BRYSON. Yes, sir.

Mr. TORRES. As I look at this, as I look at your goals in the dark color and your accomplishments in the grayer tone, I see that your 1986 purchasing goals and accomplishments for the first, second and third quarters are way up here. You have your goals up here at $131 million, but with accomplishments of $104 million. Am I correct?

Mr. BRYSON. Yes, sir.

Mr. TORRES. Why are your disadvantaged goals, though, so remote, in terms of goals for disadvantaged and for women, and, if you look at your accomplishments, almost nil on this chart? And I think this chart speaks badly of the kind of thing we're talking about here. Could you explain that to me?

Mr. BRYSON. First, the goals for fiscal year 1986 are established for an annual basis; the achievements are through only the first three quarters.

But nevertheless, as you can obviously tell, on the disadvantaged goal, we are only slightly at more than half, even though we're three-quarters of the way through the year, and so it's going to require a great deal of effort during this last quarter for us to reach that goal.

Regarding the size of the disadvantaged goal in relation to the small business goal, there are a number of——

Mr. TORRES. You're talking about these goals, as compared to these; right?

Mr. BRYSON. Yes, sir; regarding the goal of $8.2 million, as I understood your question, for the disadvantaged, versus $131.5 million for small business, overall. The reason for that is that the nature of the kind of work we do at Los Alamos, we have found historically, in spite of our best efforts, makes it difficult for us to attain higher dollar levels with small and/or minority business. We have been fairly successful, we believe, in spending more than 50 percent of our total procurement volume every year over the last several years with small business firms.

With minority business firms, one of the major disadvantages we have is that we do not contract for construction services at Los Alamos. As was previously pointed out, there are 57 MBE's on the

8(a) list in New Mexico. The vast preponderance of those are in construction and construction-related fields. So these are goals independent of construction, which is an area which has a great deal of potential for minority business contractors.

Additionally, a number of our dollars are placed with companies which are outside of the State of New Mexico, but are a part of the Department of Energy, so-called integrated contractors who do some of the classified and weapons-related work that is done by the laboratory.

So I don't know that I've answered your question completely, but the goal that we've established for ourselves for minority business placement for this year is $8.2 million. We are currently at $4.5 million. We hope that we will come close to the $8.2 million, but it is going to be something that requires a great deal of effort on our part.

I believe if I could just mention one thing in connection with ASI—we have begun a number of activities at the laboratory that we believe are going to bear fruit, and I hope Ed will support me in connection with this. At a meeting in February with the members of the congressional delegation, Mr. Romero was somewhat critical of the laboratory's efforts in connection with doing business with his company, which is a very well qualified high-technology firm.

As a result of that meeting, I called Ed and we had lunch together. And subsequent to that, we have had a number of meetings between his technical staff and senior members of our technical staff at Los Alamos. So far, those meetings have not resulted in contracts. But I think that if Ed were to comment on that, I would hope that he would agree that he has had an entree to the laboratory in the last 6 months that he had never had previously.

Mr. TORRES. Is that right, Mr. Romero?

Mr. ROMERO. That's true, and I want to thank Mr. Bryson personally for that because he's been a catalyst in establishing a new attitude over there, at least at his level, and I'm somewhat pleased.

And that's the difference, Congressman, this attitude, compared to Martin Marietta, that GOCO and these GOCO's here. In Oak Ridge, TN, they encourage the Department of Energy to seek out and to contract with an 8(a) contractor that is qualified.

Now if we had that same attitude here, the Department of Energy wouldn't pass the buck to the GOCO's here and vice versa. They pass the buck to one another, whereas in Oak Ridge, TN, you find such a positive attitude toward qualified 8(a) firms. They work together in trying to establish a set-aside and a contract goal in particular for the 8(a) contractors. But the attitude is better, as I said before, and we hope to see some developments, positive developments, with that attitude.

Mr. TORRES. Mr. Bryson.

Mr. BRYSON. If I could mention one more thing in particular again in relation to ASI. After George Wolf, who is ASI's executive vice president for Mr. Romero's firm, made us aware of the award and the nature of the services that were going to be provided by ASI to Oak Ridge, we then set up meetings, which have already taken place, with key people from the laboratory.

As part of Mr. Romero's testimony, I recall that he said these are services that he's providing at Oak Ridge, TN, and Ohio which

have a similar need to be performed here in New Mexico. We recognize that.

And as a result of that, some of Mr. Romero's people have met with our health, safety, and environment people, I believe within the last couple of weeks, to see if we can, in fact, take advantage of the skills that they have in that area. So if we were to find that there were services requiring the kind of expertise that ASI has, then we're looking into the possibility of contracting with them in that same area.

Mr. TORRES. Aside from ASI and along, I suppose, this particular line of representation—and again I state that there is a disparity between this and this down here. So the next question should be—possibly either of you could answer it—can you tell me the number of awards at this level that have been issued to minority firms? That is, R & D contracts?

Mr. BRYSON. The number of awards?

Mr. TORRES. Yes; technical contracts that have been awarded to minority firms, and if you could describe them or tell me who they are.

Mr. BRYSON. There have been a number of them. I don't have the precise number. There are some of the people that I work with in the audience. They, perhaps, can give you that number. But let me go ahead and try and address another part of your question, and that is, you're apparently making a differentiation between technical awards and perhaps the maintenance or the traditional awards, as well. We consider virtually all——

Mr. TORRES. As you know, we heard earlier about the janitors and the food services and things like that. I'd like to know more about the types of high technology awards, as opposed to the former.

Mr. BRYSON. Well, essentially at Los Alamos we consider virtually all of our contract awards to be in the high technology arena. The reason for that is that the janitorial services and the maintenance services throughout the laboratory are provided by the Pan-Am World Services Co., which is the major support contractor to the laboratory. The food services are conducted by in-house people. So therefore, we don't have any contracts in, if you will, the low technology minority business area. Therefore, the contract awards that we do make to the minority firms are all of what we consider to be high technology to some degree, due to the nature of the work that the laboratory does.

As Don Bradley who has had contracts with us, testified earlier, a number of them have been for the purchase of modular buildings and such things as that, that are sort of construction related. But as I mentioned, we don't do construction contracting at the present time, either. So therefore, they are not direct construction contracts.

Let me see if I can get the number of contracts in 1986.

Ms. TRUJILLO. For minority businesses?

Mr. BRYSON. Yes.

Mr TORRES. Would you come forth, ma'am, and identify yourself, please, for the record.

Mr. BRYSON. One thing, if I could, Congressman Torres, while she's coming down, we do anticipate in our dealings with the De-

partment of Energy that we will be taking over construction contracts in the near future. Once that happens, I think that you'll see the disadvantaged business statistics going up significantly.

Mr. TORRES. Please state your name.

Ms. TRUJILLO. My name is Teresa Trujillo. I'm the small and disadvantaged liaison officer for the laboratory. I would say that those orders would approximate 2,500 for 1986.

Mr. TORRES. 2,800?

Ms. TRUJILLO. 2,500.

Mr. TORRES. 2,500 orders, you say?

Ms. TRUJILLO. Yes.

Mr. TORRES. We're talking now about orders to minority-owned, disadvantaged?

Ms. TRUJILLO. Yes.

Mr. TORRES. How many firms does that represent, though?

Ms. TRUJILLO. It would represent approximately 200 firms.

Mr. TORRES. 200 firms?

Ms. TRUJILLO. Yes; we have 200 active firms on our list. By active, I mean those that are receiving awards. We have numerous other firms that are listed on our bid list, as requirements arise.

Mr. TORRES. And if I'm correct, if I look at the chart again, I see that the dollar amounts for those would be in the realm of about $10 million, correct, at this point? If we talked about the disadvantaged firms, the women-owned firms, and if we talked about the actual accomplishments, we would get an aggregate figure of about $10 million; am I correct?

Ms. TRUJILLO. Yes.

Mr. TORRES. You're talking about 20 firms, did you say?

Ms. TRUJILLO. 200 firms, disadvantaged only.

Mr. BRYSON. Let me just mention that a number of those firms are distributors located in the Espanola area, in the Santa Fe area and in the Albuquerque area.

Mr. TORRES. Give me a sense of the kind of dollar award that you might make to one of those 200 firms, the highest dollar award.

Ms. TRUJILLO. They have approached $200,000. I believe the Bradley Construction contract was—Don, you'll have to help me on this. I believe it was $250,000. Was it?

Mr. BRYSON. Well, Don Bradley is also in the audience, and he might be able to give us an exact number, but we spent with Bradley Construction something in excess of $1.2 million in the last 3 fiscal years.

It depends, Congressman, if you're talking about a distributor kind of minority business, where the order could be rather small, or if you're talking about a minority firm such as Bradley or some of the machine shops where we do business, where the orders would typically be in the high tens of thousands to the lower 100,000 category.

Ms. TRUJILLO. Sir, some of the contracts have approached close to $800,000.

Mr. TORRES. Some of them?

Ms. TRUJILLO. They range from small dollar value on up.

Mr. TORRES. What's the smallest dollar value?

Ms. TRUJILLO. It would start at $10 and go all the way on up.

Mr. TORRES. Are you serious? $10?

Ms. TRUJILLO. I'm serious.

Mr. TORRES. Well, thank you very much, Ms. Trujillo. Mr. Bryson, thank you very much. Mr. Romero, on this——

Mr. ROMERO. I'd like to make a comment, Congressman Torres, and this is very important for Mr. Russell to know, also. There is in the Federal Register—and I wish to thank him for releasing—we appreciate that—the remedial plan. I note that there is some activity, and I appreciate that. Thank you very much.

But there is in the Federal Register right now, Congressman, an announcement that does directly involve GOCO's. And the essence of it is that it will permit GOCO's, without the agency having to necessarily agree with them, to contract with 8(a) firms. And I would urge your attention to that and certainly your support. I thank you very much for bringing me up here again.

Mr. TORRES. Thank you, Mr. Romero, for assisting us in this very important testimony by Mr. Russell. We really haven't heard too much from Mr. Russell.

We were addressing the multiple questions that you asked about Alamos.

But Mr. Russell, I would like to, in the same vein, ask you, you've given us dollar amounts of awards and percentages, as well. Can you also give us the number of the contracts awarded to small business firms and also the number of firms presently performing contracts?

Mr. RUSSELL. Yes, Congressman; so far in fiscal year 1986, we have awarded 4,700 contracts to small and disadvantaged businesses.

Mr. TORRES. As in the former testimony, those are orders?

Mr. RUSSELL. Yes.

Mr. TORRES. 4,700 orders?

Mr. RUSSELL. Well, that's for a couple of quarters. An average would be about 12,000 per year.

Mr. TORRES. 12,000 orders?

Mr. RUSSELL. Yes, sir.

Mr. TORRES. Which constitute how many firms?

Mr. RUSSELL. I don't have that data with me. I'd be happy to get that. But as a range, I would think it would be in the neighborhood of 400.

Mr. TORRES. 400 firms?

Mr. RUSSELL. Yes.

Mr. TORRES. Mr. Russell, the committee would really appreciate it if you could provide this information to us as a separate item.

Mr. RUSSELL. A total list of all the——

Mr. TORRES. And we would like an itemization of the 400 firms that you've so stated. May we have it from you at a later point?

Mr. RUSSELL. Yes, sir.

[The information referred to follows:]

R. R. Russell, CPM
Director
Purchasing & Materials Management

Sandia National Laboratories
Albuquerque, New Mexico 87185

September 23, 1986

The Honorable Esteban Edward Torres
Congress of the United States
House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Representative Torres:

During my testimony at your field hearing in Santa Fe on September 8, 1986, I stated that Sandia National Laboratories did business with over 400 minority firms at present. The listing of these firms, which you requested, is enclosed.

If you have need for any additional information, please do not hesitate to contact me.

Sincerely,

Original Signed By
R. R. RUSSELL

Enc: As noted

Copy to:
The Honorable Bill Richardson
Representative in Congress
Federal Court House Building B26
Santa Fe, NM 87501

Mrs. E. LaVon French
2361 Rayburn House Office Building
Washington, DC 20515

MINORITY FIRMS WITH WHOM SANDIA HAS DONE BUSINESS WITH DURING FY86

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

A05588	ALBUQUERQUE LIGHTING	SDW	8604
A05766	AEROSPACE COMMERCIAL FASTENERS	SDW	8609
B00818	BOGUE MACHINE CO	SDW	7803
B01123	BROADWAY HARDWARE CO	SD	7808
B01503	BARELA TRUCKING SERVICE	SD	7411
B01602	BASZILE METALS SERVICE	SD	7601
B01748	BERNADETTE PLUMBING & HEATING CO INC	SD	8204
B02298	BENCHMARK INFORMATION SYSTEMS	SDW	8110
B02578	BENCHMARK INFORMATION SYSTEMS	SDW	8110
B02593	B&K DELIVERY SERVICE	SDW	8302
B02639	BETATRON ELECTRONICS	SD	8304
B02641	BERRIDGE DISTRIBUTING CO INC	SD	8304
B02697	BAY CITY SCREW & BOLT	SD	8307
B02907	BUSINESS PRINTING SERVICE	SD	8405
B02962	BACA3 TREES	SD	8406
B03020	BLACKFEET INDIAN WRITING CO INC	SD	8412
B03094	BISHOP PRINTING & LITHO CO	SD	8510
B03213	BEST OFFICE MACHINES	SD	8512
B03331	BO SHERREL CO	SDW	8606
B03366	D BACA & ASSOCIATES	SD	8607
B03368	BERNALILLO MACHINE SHOP	SD	8606
B03386	BASK COMPUTER CO	SDW	8609
C00049	CADDYLAK SYSTEMS INC	SD	7903
C00148	THOMAS J CAMPBELL CO	SD	7904
C00173	CARAL INC	SD	7401
C00299	CENTRAL NEW MEXICO EQPT CO INC	SD	7601
C00910	COSMODYNE MFG INC	SD	7809
C01463	THE CIRCUIT SHOP	SDW	8007
C01511	CANDELA CORP	SD	7904
C01765	CASHWAY LUMBER CO	SD	7509
C01780	CVI LASER CORP	SD	7304
C02294	JERRY CARROLL MACHINING INC	SD	7601
C02498	CENTRAL MARKET	SD	7702
C02663	CASTILLOS SAND + GRAVEL	SD	7802
C02677	CERTIFIED FASTENERS INC	SD	7802
C02684	CAMX SCIENTIFIC CORP	SD	7806
C02748	CANADA INC	SD	7807
C02750	CREATIVE MICRO SYSTEMS	SD	7807
C03022	CENTURY MACHINE CO INC	SD	7910
C03023	COMMERCE GLOVE CO INC	SD	7911
C03032	COLVIN PACKAGING PRODUCTS INC	SD	7912
C03554	COYOTE STAR ENTERPRISES	SD	8202
C03582	CONTINENTAL DIVIDE MACHINE INC	SDW	8203
C03752	CITY PAINTING CO	SD	8209
C03763	CHAVEZ DISCOUNT AUTO PARTS	SD	8209
C03846	UBALDO CHAVEZ & SON INC	SD	8301
C04026	COR INC	SD	8306
C04035	CHEROKEE SPECIALTY CO	SD	8306
C04042	CENTRAL NEW MEXICO CONSTRUCTION	SD	8307
C04235	COK DELIVERY SERVICE	SDW	8402
C04276	CAPITOL BUSINESS MACHINES INC	SDW	8403
C04329	C&C PAINT	SD	8404
C04330	CYCLOPS ELECTRONICS	SD	8404

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

C04460	CONTINENTAL DISTRIBUTORS INC	SD	8510
C04479	CRYPTRONICS INC	SD	8407
C04494	COMPUDATA INC	SD	8408
C04572	CENTRAL COMPUTER PRODUCTS	SDW	8410
C04615	CENTRAL MICROFILMING SERVICES INC	SD	8412
C04677	CENTURY GLASS CO	SDW	8501
C04713	CREATIVE MICROSALES INC	SD	8503
C04770	CALIFORNIA HYDRAULIC EQUIPMENT INC	SD	8504
C04773	CENTURION TOOL & SUPPLY INC	SD	8504
C04894	CAMPBELL ENGINEERING CO	SD	8507
C04924	CONTINENTAL DIVIDE MACHINE INC	SD	8508
C04999	CARLSBAD AUTO SUPPLY CO	SD	8510
C05011	CONTINENTAL DIVIDE MACHINE INC	SD	8512
C05020	COMPUTER INFORMATION SVCS OF NEW MEXICO	SD	8512
C05286	COMPUTER BIZ INC	SDW	8606
C05394	CHIPPAWA TOOL & MFG	SD	8607
C05484	CLUB AT INC	SD	8609
D01302	DATA DISPLAY PRODUCTS	SD	7710
D01336	DURA-BOX CO	SD	7606
D01444	DOMS SURPLUS	SD	7906
D01767	DRURY MACHINE CO	SDW	8001
D01783	DISCOUNT MOBILE HOME SUPPLY & SERVICE	SD	8001
D02047	A B DICK PRODUCTS OF ALBUQUERQUE	SD	8207
D02085	DIAL PROTECTIVE EQUIPMENT INC	SD	8202
D02155	DIVERSIFIED ELECTRONIC COMPONENTS INC	SD	8207
D02191	DELGADOS ROOFING CO	SD	8209
D02317	DIAFIN	SDW	8304
D02339	DOSITEC INC	SDW	8305
D02480	DESIGN-A-SIGN OF NEW MEXICO	SD	8605
D02666	DUBLIN MULTILAYER	SD	8501
D02876	DATA PROCESSING CONSULTANTS	SD	8511
D02884	D&E CONSTRUCTION CO	SDW	8512
D02932	DAUPHIN USA	SD	8602
D02945	DANA ENTERPRISES INTERNATIONAL	SD	8603
D02990	DELTA ELECTRONICS DISTRIBUTING CO	SD	8604
D02998	DAWN COMPUTER CORP	SD	8604
D03041	DAWN ENGINEERING	SD	8607
D03088	DIGITAL EXCHANGE	SD	8609
E00198	ELECTRIC SERVICE INC	SD	7207
E00439	ENGINEERED EQUIPMENT INC	SD	8203
E00811	ELECTRO FAB	SDW	7201
E00898	ENGINEERING MACHINE TOOL + REPAIR	SDW	7211
E00939	EAST WIND PRINTERS	SD	7305
E01154	ELECTRIC SUPPLY OF VALLEJO	SD	7512
E01178	ELECTRONIC DEVICES CO INC	SDW	8001
E01223	EDUCATIONAL SYSTEMS	SD	7609
E01241	ELECTRO COMPONENTS DISTRIBUTORS INC	SD	7702
E01246	ENERGETICS NEW MEXICO	SD	7701
E01415	ESPERANZA BOOKBINDERY	SDW	7809
E01443	EL MIRADOR ARTS INC	SDW	7902
E01485	ENGINEERING CONSTRUCTORS INC	SDW	7907
E01574	EL MIRADOR ARTS INC	SD	8007
E02034	ENCHANTMENT ENTERPRISES INC	SDW	8305

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THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

E02075	EVAR BRITE	SDW	8307
E02106	ESPINOZA ROUSTABOUT SERVICE INC	SD	8310
E02143	THE EDWARDS CO	SD	8401
E02152	ELECTRONIC SIGNAL PRODUCTS	SD	8402
E02253	ELECTRO NATIONAL CORP	SD	8406
E02291	EMERGING TECHNOLOGY CONSULTANTS INC	SD	8407
E02372	EDCO MFG ROPE & SUPPLY	SD	8501
E02385	ELECTRONIC METAL PRODUCTS INC	SD	8502
E02417	ECHO ENGINEERING & PRODUCTION SUPPLIES	SD	8503
E02457	EMERSON ELECTRONICS	SD	8601
E02536	ELLAR ENGINEERING	SD	8511
E02545	ERCO INC	SD	8510
E02559	ELECTRO COMPONENTS DISTRIBUTORS INC	SD	8512
E02598	ELECTROMAGNETIC TECHNOLOGY INC	SD	8601
E02709	EL PASO METALS & SUPPLY CO	SD	8607
F00531	FLINCHUM CONSTRUCTION CO INC	SD	7307
F00778	FLAMORT CHEMICAL CO	SD	7512
F00900	FALCON INDUSTRIAL SUPPLY INC	SD	7801
F00958	FABRIC WORKS LTD	SDW	7810
F02168	FORTIN INDUSTRIES	SD	8302
F02352	FABRIC DEVELOPMENT INC	SD	8406
F02434	FAS SALES CORP	SD	8502
F02489	FIBERMUX CORP	SD	8508
F02508	FIREMARK	SD	8510
F02591	FIBERMUX CORP	SD	8608
G00409	GOODRICH ROOFING CO INC	SD	7001
G01158	GENES NATIONAL OFFICE FURNITURE	SD	7507
G01299	GREGORY STEEL & SUPPLY INC	SD	7708
G01344	GREGORY ENTERPRISES INC	SD	7708
G01869	GARZA CORP	SDW	8301
G01993	GEM ELECTRONICS	SD	8310
G02044	GENERAL LABORATORY PRODUCTS	SD	8402
G02088	GENES OFFICE PRODUCTS	SD	8404
G02129	GENERAL DIODE CORP	SD	8406
G02412	GUARANTEED ELECTRONICS	SD	8604
G02451	GC INDUSTRIES INC	SD	8609
G02455	GRAPHIX BY ANDREA	SDW	8606
G02478	GRAM INC	SD	8606
H00289	HI-TECH INC	SD	7001
H00293	FRED S MICKEY CORP	SD	7903
H00327	HENRY HILLSON CO INC	SD	7903
H01036	HAMAMATSU CORP	SD	7410
H01173	HALL PRECISION MACHINING	SDW	8210
H01176	HAMAMATSU CORP	SD	7610
H01193	HIGH VACUUM APPARATUS MFG INC	SD	7612
H01290	HENWARR INC	SD	7802
H01357	H+L INTERNATIONAL INC	SDW	7810
H01607	HANG-RITE DOORS INC	SDW	8203
H01870	HER ELECTRONICS	SDW	8304
H02144	HEURISTIC COMPUTER SPECIALISTS	SDW	8501
H02266	HAWK SCIENTIFIC SYSTEMS INC	SD	8510
H02298	HANNA PLUMBING & HEATING CO INC	SD	8510
I00626	INDUSTRIAL CONTRACTORS	SD	7207

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

I00872	INTERNATIONAL ELECTRONICS	SD	7512
I00925	INTERNATIONAL MICROTRONICS CORP	SD	7606
I00987	INNOTEC INDUSTRIES	SDW	7701
I00997	IDEAL INDUSTRIAL ELECTRONIC SUPPLY INC	SD	7703
I01173	INFRARED OPTICS CO	SD	7905
I01573	INDUSTRIAL LASER SERVICE & SUPPLY	SD	8304
I01650	IMAGING TECHNOLOGY INC	SD	8401
I01740	IMAGING TECHNOLOGY INC	SD	8407
I01741	INNOVATIVE CONCEPTS INC	SD	8408
I01798	IDEAL INDUSTRIAL ELECTRONIC SUPPLY INC	SD	8410
I01856	INTERNATIONAL SENSOR TECHNOLOGY	SD	8503
I01977	INTEGRATED SYSTEMS INC	SD	8512
I01994	INNOVATIVE SOFTWARE SYSTEMS	SD	8601
I02105	INTERGON CORP	SD	8605
J00061	JEOL USA INC	SD	7209
J00232	JANOS TECHNOLOGY INC	SDW	7904
J00376	J+S ELECTRIC CO INC	SD	7807
J00518	JIMMYS PLUMBING HEATING +	SD	8205
J00652	J-M SUPPLY CO	SD	8501
J00694	JET WIRE	SDW	8511
K00477	KINGS SALES CO	SD	7803
K00978	KIRK-MAYER INC	SD	8110
K01058	KIRK-MAYER INC	SD	8209
K01256	KIMURA PHOTOMART	SD	8408
K01451	KIM ANJIE INDUSTRIES	SD	8607
K01459	KAM & ASSOC INC	SD	8609
L00980	LAMINAIRE CORP	SD	7903
L00609	LOGIC TECHNOLOGY INC	SD	8501
L00856	L+M DRAFTING SERVICE INC	SD	7601
L01180	LUJAN SOFTWARE SERVICES INC	SD	8001
L01359	LUNAR PRODUCTS INC	SDW	8204
L01594	LOR-DEM PRODUCTS	SDW	8403
L01661	LI TUNGSTEN CORP	SD	8408
L01722	LINDE TECHNOLOGY INC	SD	8501
L01747	LOGIC TECHNOLOGY INC	SD	8503
L01826	LEEMAH DATACOM SECURITY CORP	SD	8509
L01828	LOW COST CONSTRUCTION CO	SD	8508
L01941	LOLI LECTRONICS	SDW	8606
L01960	LORDEM PRODUCTS CORP	SD	8607
M00339	MAURY MICROWAVE CORP	SD	7607
M01237	MODEL PRODUCTS	SD	7802
M01706	MEISEI CORP	SD	7409
M01978	MASTER MACHINING INC	SDW	7609
M01994	MORAGA PAINTING CONTRACTOR	SD	7610
M02584	MCAFEES AUTO ELECTRIC	SD	8002
M02647	MFJ ENTERPRISES INC	SD	8006
M02767	MARTINEZ CUSTOM TRAILERS INC	SD	8102
M02835	MCCAULEY TOOL + SUPPLY	SD	8106
M03036	MAC TOOLS	SDW	8207
M03117	METAL MART INC	SD	8209
M03119	MARIPOSA CORP	SD	8209
M03302	MAURY MICROWAVE CORP	SD	8303

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

M03424	METRAPLEX CORP	SD	8510
M03508	MICROWARE EXCELTEK INC	SDW	8502
M03861	MACTRONIX INC	SD	8410
M03899	MAJOR MILLS INC	SD	8412
M03911	MASTER BUSINESS MACHINES	SD	8501
M03935	METALCRAFT INC	SD	8501
M03965	MARK METALS	SD	8502
M03998	MUNOS PAINT & BODY SHOP INC	SD	8503
M03999	MISSO SERVICES CORP	SD	8503
M04019	MMS-ACCUSHIM	SD	8504
M04031	MEX-AM ELECTRONICS LTD	SD	8504
M04077	MICRO CONCEPTS	SD	8505
M04175	THE MICRORAIN CORP	SD	8509
M04221	MARVINS OFFSET PREPARATIONS INC	SD	8510
M04264	MICRO ENGINEERING	SD	8512
M04288	MARTEX CIRCUITS INC	SDW	8601
M04330	MCBRIDE MICRO SOURCE	SDW	8608
M04383	MIDWAY OFFICE SUPPLY CENTER	SD	8603
M04402	MILL LANE ENGINEERING CO INC	SD	8603
M04440	MESILLA VALLEY HIGH TECH INDUSTRY	SDW	8606
M04447	MDM CORP	SD	8605
M04463	MICRO ACCESSORIES	SD	8606
M04474	MAMAC SYSTEMS	SD	8608
N00020	NAMBE MILLS INC	SD	7906
N00221	NEW MEXICO LEATHER CO	SD	7209
N00541	NATIONAL DISTRIBUTORS	SD	7301
N00744	NEW MEXICO TIRE + BATTERY CO INC	SD	7706
N00757	NATIONAL STEEL CO	SD	7905
N01061	NEW MEXICO PRECISION GRINDING INC	SD	7001
N01181	NEW MEXICO CHEMICAL CORP	SD	8007
N01281	NORTHERN WIRE + CABLE INC	SD	8109
N01292	NAMD INDUSTRIES INC	SD	8201
N01379	NUMERITRONIX INC	SD	8209
N01431	NATIONAL ELECTRICAL CONTRACTORS	SD	8302
N01439	NATEL ENGINEERING CO INC	SD	8302
N01641	NOVA TRONICS	SDW	8408
N01649	NEW MEXICO ANTI-GLARE FILTERS	SDW	8410
N01692	NORTH AMERICAN MODULE	SD	8501
N01723	NUCLEAR FILTER TECHNOLOGY	SD	8504
N01729	NICHOLS MFG CO	SDW	8506
N01806	NEELCHINE ENGINEERING	SDW	8511
N01842	NAKA NURSERY	SD	8602
N01887	NORTHERN COMMERCIAL REFRIGERATION	SD	8606
O00035	OFFICE SYSTEMS INC	SD	7911
O00365	OLYMPIC DIETZGEN DEALER	SD	8005
O00378	OPTIC FAB CORP	SD	8403
O00391	ORTEGAS PROPANE SERVICE	SD	7701
O00541	OAO CORP	SD	8102
O00566	OMEGA BUSINESS PRODUCTS	SDW	8408
O00583	ORAM ELECTRONICS INC	SD	8507
O00591	OTERO COST PLUS	SD	8202
O00603	OASIS ENTERPRISES	SDW	8206
O00643	ORDUNO DISTRIBUTING	SD	8510

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

S05220	SOFTWARE GALLERIA	SD	8511
S05452	SOFTEAM INC	SD	8605
S05490	SHASTA HARDWARE & SUPPLY	SD	8605
S05496	STI	SD	8606
T00330	THERMIONICS LABORATORY INC	SD	7905
T00397	THRIFTY AUTO PARTS	SDW	7810
T00544	TRI TECH MACHINE TOOL CO	SD	7203
T00952	TEXAS SEAL SUPPLY CO	SD	7202
T01421	TERRA TECHNOLOGY CORP	SD	7609
T01490	TORRES INDUSTRIAL SUPPLY	SD	7704
T01552	TITAN RUBBER + SUPPLY CO INC	SD	7709
T01561	TEPIMO INC	SD	7802
T01648	THETA PLATE	SD	7808
T01649	TIDE ELECTRONICS INC	SD	7807
T01791	TEMPCO ELECTRIC HEATER CORP	SD	8202
T01982	TRINITY ELECTRIC INC	SD	8303
T02083	TORRES ELECTRICAL SUPPLY	SD	8202
T02343	TRIPLE A PEST CONTROL	SD	8305
T02399	TATUMS JANITORIAL SERVICE	SD	8306
T02404	TURTLE MOUNTAIN INDIAN CHEM & SUPPLY CO	SDW	8308
T02477	TORCO & ASSOCIATES	SD	8401
T02579	THREE DELTA CORP	SD	8405
T02668	TECH SUPPLY INC	SD	8409
T02734	TANNERS TOWING & GARAGE INC	SD	8506
T02741	TEXEL	SD	8502
T02766	TURA MACHINE CO	SD	8502
T02879	THREE DELTA CORP	SD	8506
T02889	TOUCH OF GLASS	SD	8506
T02953	TRU-SIGHT OPTICIANS	SD	8512
T02955	TRUCO INC	SDW	8601
T03002	TEWA WEAVERS INC	SDW	8603
T03006	TEL-E-TEL CORP	SD	8603
T03009	TRANSPACIFIC INTERMODAL INC	SD	8603
T03029	TODAYS BUSINESS SUPPLY CENTER	SD	8604
T03045	TG III SALES	SDW	8604
T03124	THERMIONICS NORTHWEST INC	SD	8609
U00049	UML + LOPEZ ENGINEERS INC	SD	7101
U00745	ULIBARRI CONSTRUCTION	SD	7801
U01411	UT PHOTO SERVICE INC	SD	8601
V00479	VALLEY FENCE CO INC	SD	7312
V00835	VIDEO TECHNICAL SERVICE	SD	8109
V01041	VIKO TECHNOLOGY INC	SD	8405
V01094	VETERAN WIRE & CABLE CORP	SD	8411
V01138	VU-COLOR INC	SD	8505
V01144	VISUAL COMMUNICATIONS NETWORK	SD	8509
W00061	WANG LABORATORIES INC	LD	8509
W00104	WATERBURY SCROLL PEN CORP	SD	7601
W00174	WELDY SCREENPRINT	SD	8605
W00307	WESTERN TRANSFORMER CO	SD	8510
W00675	WACO ELECTRONICS INC	SDW	8604
W00817	WACO ELECTRONICS INC	SDW	8604
W01068	WAITES JANITOR SERVICE	SD	7604
W01070	WELCO ELECTRONICS	SD	7605

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MINORITY FIRMS WITH WHOM SANDIA HAS DONE BUSINESS WITH DURING FY86

THE FOLLOWING ARE DISADVANTAGED BUSINESSES 09/05/86

W01078	WEST SIDE DRUG STORE	SD	7606
W01080	WAY UP GALLERY	SDW	7607
W01216	WESTERN WHOLESALE DISTRIBUTORS	SD	7806
W01375	WANG LABORATORIES INC	LD	8509
W01399	WANG LABORATORIES INC	LD	8509
W01597	WESTERN DRUM CO	SD	8206
W01750	WORDCENTER INC	SD	8308
W01789	WALTS TOP SHOP & SEAT COVERS INC	SD	8401
W01792	WANG LABORATORIES INC	LD	8509
W01793	WESTERN DRUM CO	SD	8601
W01802	WESTERN OFFICE INSTALLATION & SERV INC	SD	8402
W01831	WANG LABORATORIES INC	LD	8509
W01842	WATERBURY SCROLL PEN CORP	SD	8404
W01901	WEST SIDE HARDWARE	SD	8408
W01930	WANG MID-AMERICA AREA EDUCATION	LD	8509
W01971	WANG LABORATORIES INC	LD	8509
W02024	WANG NMR INC	SD	8507
W02033	WEB SOUTHWEST INC	SDW	8509
W02057	WEST COAST CONSULTANTS	SD	8511
W02063	WANG LABORATORIES INC	LD	8511
Y00091	YEA INC	SD	8211
Z00183	Z&A SERVICE	SD	8406
Z00202	ZIA MILLWRIGHTS	SD	8508

Mr. TORRES. Thank you. Well, I have no further questions. I would simply like to tell you that as I see the charts and as I hear the testimony—I'm not from the district here, as you know, but my colleague, Mr. Richardson, is. Mr. Richardson, by the way, had to excuse himself. He had to catch a flight out to another appointment.

I just want to say that he is very much concerned about the particular performance at Los Alamos, as a case in point. It's in his district. And he obviously has the best interest to see that his constituents and that the rest of the New Mexican community, the businessmen and women, disadvantaged persons, are in tune or at least are receiving commensurate contracts, recognition, awards from your two entities.

So to that degree, gentlemen, I want to thank you for your testimony. Mr. Russell, I will look forward to the testimony that you weren't able to present to me, and you're now excused. Thank you.

Mr. TORRES. The next witnesses that I'll be calling forth will be from the Small Business Administration, the SBA. We have with us today Mr. Joseph Luna, who is the Assistant Regional Administrator here for minority small businesses and capital ownership, representing region VI, and his headquarters is in Dallas, TX. We will have Mr. Robert Schleicher, who is the SBA procurement center representative at Kirtland Air Force Base, here in New Mexico. And of course we have with us, and his name has been mentioned today in various aspects of testimony, Mr. Phillip Ramos, who is the District Director of the Albuquerque District Office of the Small Business Administration.

Gentlemen, thank you very much for being here with us today. You are last on our list of panelists. You're last, but not least. You play a very important role in what transpires in the minority business community in this State. As I have said to the other witnesses, your testimony in full will be inserted into the record without objection. And I would beseech you, if you could, to summarize your statement. We are running late at this point.

So Mr. Luna, will you be first, sir, to proceed?

TESTIMONY OF JOSEPH J. LUNA, ASSISTANT REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, DALLAS TX

Mr. LUNA. Thank you. Mr. Chairman. First I would like to thank you for the opportunity to be here. My name is Joe Luna. On behalf of Mr. Joseph Pena, our Regional Administrator, I welcome you to New Mexico and to region VI.

Mr. TORRES. Thank you, sir.

Mr. LUNA. Since you have the four points covered in the paper, I'm just going to summarize some of the comments that pertain to the issues.

Basically in our office we evaluate and we cover several criteria in rating our offices. Our role in the regional office is that primarily of a supportive nature. We provide assistance in processing requests for advance payments and business development for funding.

In that regard, this fiscal year, through June 30, we handled the approval of $16 million in advance payments. And about 4 weeks

ago, we signed our advance payment for $14 million. We are currently in the process of processing another advance payment request for $7 million. I realize sometimes that there are gaps in information, but we are doing several things in the area of advance payments and business development expense.

I would also like to point out that our regional allocation for business development expense is approximately $2 million a year. I believe the total national budget is $17 million. In 1984 we used $1.9 million for business development expense, of which 35.9 percent was in New Mexico.

In fiscal year 1985 we used $1.8 million for BDE. And so far this year in fiscal year 1986 we're at about $1.9 million, and I have just requested another $750,000 from the Washington office. So this year we should be somewhere in the area of $2.5 million for BDE.

As far as the portfolio in this region, if you'll notice the last page of the testimony that I provided you, this district office has grown tremendously in the last few years. Currently in the first three quarters of this fiscal year, we are hitting in the area of 41 million dollars' worth of 8(a) contracts. For the last fiscal year, we did $26.5 million. For the first three quarters of this year, we have exceeded $41 million.

With several other contracts that are in progress, we will eventually exceed this $41 million figure. They've got approximately 56 contractors in the portfolio. They've also got a good industry mix in the portfolio. The major thrust throughout this region has been high technology and manufacturing firms, and this eliminates some of the problems we have with the construction law requirements of Public Law 95–507.

So being that you have my information in writing, I'd just like to make those corrections, Mr. Chairman, and clarify some of the testimony that has been provided by others.

Mr. TORRES. Thank you, Mr. Luna.

[Mr. Luna's prepared statement follows:]

PREPARED STATEMENT OF JOSEPH J. LUNA, ASSISTANT REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, DALLAS, TX

Good morning, Mr. Chairman and Members of this congressional sub-committee. On behalf of our Regional Administrator, Mr. Joseph Peña, I would like to take this opportunity to welcome you to our region and more specifically to the beautiful city of Santa Fe, New Mexico.

It is my pleasure to address this congressional sub-committee on those vital issues regarding Minority Business Development in New Mexico and other related 8(a) areas of concern. Copies of my testimony have been provided to you. After my brief testimony, I shall be pleased to answer any questions you may have.

Region VI has ten district offices and one branch office located in the five states of Louisiana, Arkansas, Oklahoma, Texas, and New Mexico. This region has, as of July 18, 1986, 342 8(a) portfolio firms. The Small Business Administration's Albuquerque District Office, whose jurisdiction includes the entire state of New Mexico, has 56 8(a) firms (16.4%) in its portfolio; and, has generated over 41 million dollars (24.6%) in 8(a) contract awards during the first nine months of this fiscal year. Our records reveal that during fiscal year 1985, this district office generated $26,594,000 in 8(a) contracting with an 8(a) portfolio of 52 firms.

Annual evaluations of our district offices in this region are performed shortly after the end of the fiscal year. Our evaluation criteria includes regional action plan objectives, such as increasing the 8(a) portfolio with special emphasis on manufacturing and high technology companies, increasing 8(a) contract awards, and providing training in the various disciplines of business. In addition, demographic data, such as the Minority Small Business universe, the

These marketing efforts are MACRO in nature and are for the purpose of promoting the overall 8(a) program and to encourage the utilization of this federal procurement tool.

As a result of the individual 8(a) contractor's marketing efforts, which is a practice we encourage, National Buy Requirements offered to the SBA for the 8(a) program normally have the 8(a) firm selected in their offering letter for the proposed requirement. In those few cases where the National Buy Requirement is open; i.e., no firm has been recommended by the procuring agency, we will contact the district offices in an effort to select an appropriate 8(a) firm.

When requested by an 8(a) contractor or by the District Minority Small Business staff, the regional staff will make marketing calls to procuring agencies regarding specific requirements.

Local Buy requirements; i.e., construction and non-professional requirements under $500,000, are matched in almost all instances with a local 8(a) firm by the district office where the work is to be performed. The regional involvement is limited to those instances where our district office determines that they do not have in their portfolio a firm that can perform on the offered requirement.

Consequently, the regional office is not normally involved in the selection and matching of 8(a) firms with contract requirement opportunities.

The 8(a) application process involves two phases. The initial phases require the applicant to complete a Capability Statement for the purpose of determining the availability of federal procurement opportunities in the type of business

penetration of that market, and the district resources committed to this program by the District Directors are also factors considered in our reviews and evaluations.

Overall, with all factors considered, the Albuquerque District Office has performed satisfactorily.

The role of the Dallas Regional Office is generally one of a supportive nature. The regional staff provides assistance in the processing and approval of district requests for Advance Payments and Business Development Expense funding, Management and Technical Assistance through our Regional 7(j)(10) program, Marketing Assistance, and guidance in other operational matters such as federal procurement practices, SBA policies, and policy interpretation.

For fiscal year 1985, the Regional Office did not receive any requests for Advance Payments or Business Development Expense assistance from the Albuquerque District. This year we have received in the Regional Office, one Advance Payment application which was approved for approximately $400,000. Further, one Business Development Expense request was submitted to and approved by the Regional Office in the amount of $107,000.

As I mentioned earlier, we provide marketing assistance to our district offices. This involvement by the regional staff is accomplished primarily through visits made to military and civilian agencies located throughout the region. For example, in the state of New Mexico, I have personally visited the Department of Energy in Los Alamos, Kirtland AFB and the Corp of Engineers in Albuquerque, along with Holloman AFB and the White Sands Missile Range in southern New Mexico in an effort to promote the 8(a) program.

identified by the applicant. The document (SBA Form 1017) is reviewed by the local district office and a determination of procurement availability for all local buys is made at this level and reportedly takes about one to three days.

In the case of National Buy types of businesses, the 1017 is forwarded by the district offices directly to our Washington D.C. Central Office for processing. The Central Office normally processes these 1017s within a one to three day period and then forwards them to the regional office. Within two days of receipt, they are returned by the regional office to the district of origin. Overall, the first phase should be completed within ten to fourteen working days.

The second phase is the preparation and submission of the Business Plan Application. This phase is more difficult to measure in our districts. On too many occassions we have to return the Business Plan Application because of inaccurate, incomplete, or omission of pertinent required data. For these reasons, processing at the district level can sometimes take several months. SBA's Business Opportunity Specialists are available to counsel with 8(a) firms to assist in perfecting their business plans.

Upon final receipt of the properly completed 8(a) application at the Regional Office, we have and average turnaround time of 39.9 days. Our Central Office averages 19.8 days.

Mr. Chairman, This completes my formal presentation.

SMALL BUSINESS ADMINISTRATION

MSB&COD PROGRAM DATA

DISRICT OFFICE	ALB.	DALLAS	FT. PASO	HOU.	L.R.	LRGV	LUBBOCK	N.O.	OKC.	S.A.	TOTAL
MINORITY OWNED BUSINESSES	6046	8036	3340	13549	2913	7692	1415	10466	3474	10998	67929
% TO REGIONAL TOTAL	8.9	11.8	4.9	20	4.3	11.3	2.1	15.4	5.1	16.2	100
REGIONAL RANKING	SIXTH	FOURTH	EIGHTH	FIRST	NINTH	FIFTH	TENTH	THIRD	SEVENTH	SECOND	
8(A) PORTFOLIO (JULY, 1985)	56	24	26	22	37	32	5	41	35	64	342
% TO REGIONAL TOTAL	16.4	7	7.6	6.4	10.8	9.4	1.5	12	10.2	18.7	100
HISPANIC	42	8	25	5	3	30	4	7	4	52	180
% TO D.O. TOTAL	75	33.3	96.2	22.7	8.1	93.8	80	17.1	11.4	81.3	
% TO R.O. TOTAL	21.9	9.7	28.1	4.6	2.4	27.4	23.4	5	3.3	23.8	52.6
% TO R.O. H-TOTAL	23.3	4.4	13.9	2.8	1.7	16.7	2.2	3.9	2.2	28.9	100
RANKING	SECOND	FIFTH	FOURTH	SEVENTH	TENTH	THIRD	NINTH	SIXTH	EIGHTH	FIRST	
BLACK	5	10	0	16	24	2	1	30	17	9	114
% TO D.O. TOTAL	8.9	41.7	0	72.7	64.9	6.3	20	73.2	48.6	14.1	
% TO R.O. TOTAL	1.5	2.9	0	4.7	7	.6	.3	8.8	5	2.6	33.4
% TO R.O. B-TOTAL	4.4	8.8	0	14	21.1	1.8	.9	26.3	14.8	7.9	100
RANKING	SEVENTH	FIFTH	TENTH	FOURTH	SECOND	EIGHTH	NINTH	FIRST	THIRD	SIXTH	
8(A) AWARDS-FY 85 (000 OMITTED)	26594	27146	25618	16151	19997	17092	3111	13992	36158	51205	237064
% TO REGIONAL TOTAL	11.2	11.5	10.8	6.8	8.4	7.2	1.3	5.9	15.3	21.6	100
REGIONAL RANKING	FOURTH	THIRD	FIFTH	EIGHTH	SIXTH	SEVENTH	TENTH	NINTH	SECOND	FIRST	
8(A) AWARDS-FY 86 (JUNE 30, 1986)	41171	17167	17354	5043	5071	15502	292	15909	18953	30763	167225
% TO REGIONAL TOTAL	24.6	10.3	10.4	3	3	9.3	.2	9.5	11.3	18.4	100
REGIONAL RANKING	FIRST	FIFTH	FOURTH	NINTH	EIGHTH	SEVENTH	TENTH	SIXTH	THIRD	SECOND	
MSB STAFF	4	3	3	4	4	3	2	4	5	7	39
PROFESSIONALS	3	3	2	3	3	2	1	3	3	5	
TECHNICAL&CLERICAL	1	1	1	1	1	1	1	1	2	2	
% TO REGIONAL TOTAL	10.3	7.7	7.7	10.3	10.3	7.7	5.1	10.3	12.7	17.9	100

Mr. TORRES. We'll go to Mr. Schleicher for his testimony.

TESTIMONY OF ROBERT SCHLEICHER, PROCUREMENT CENTER REPRESENTATIVE, ALBUQUERQUE DISTRICT OFFICE, SBA

Mr. SCHLEICHER. Mr. Chairman, members of the Committee, I'm the rangerider here. I cover 15 installations in this area as a procurement center representative all the way from Lubbock, on the east, to El Paso, on the south, to Los Alamos, on the north, and Gallup, on the west.

Mr. TORRES. Now am I to understand then, you're the gentleman that sits down with the previous witnesses that we had here and the base commanders and the——

Mr. SCHLEICHER. The base commanders and their subordinate personnel, yes, sir.

Mr. TORRES. And you are the sign-off person for SBA relative to scrutinizing, checking, and monitoring the contract bids that have been presented?

Mr. SCHLEICHER. I'd like to clarify that, if I may.

Mr. TORRES. All right.

Mr. SCHLEICHER. My chief program that I'm responsible for is what we call our Prime Contract Program. I'm chiefly interested in the SBA's small business set-aside, as opposed to the 8(a). My duty with respect to 8(a), if you want to boil it all down, is to cooperate and coordinate. I do meet with the base personnel of all echelon. I do not appeal 8(a) non set-asides. Those appeals are left to the district by SOP definition. I also meet with 8(a) firms when they seek appointments with me.

Mr. TORRES. Very good. So you're giving me a job definition really of your duties and exactly how you're involved with the various bases?

Mr. SCHLEICHER. Yes, sir.

[Mr. Schleicher's prepared statement follows:]

PREPARED STATEMENT OF ROBERT SCHLEICHER, PROCUREMENT CENTER REPRESENTATIVE, ALBUQUERQUE DISTRICT OFFICE, SBA

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I WELCOME THE OPPORTUNITY TO APPEAR TODAY TO DESCRIBE MY DUTIES AS PROCUREMENT CENTER REPRESENTATIVE FOR THE STATE OF NEW MEXICO AND TO ANSWER YOUR QUESTIONS. IN THE INTEREST OF TIME, I WILL LIMIT MY STATEMENT TO RESPONSES TO THE QUESTIONS POSED IN THE OFFICIAL INVITATION AND WILL EXPAND ON THOSE ANSWERS AS YOU SEE FIT DURING THE QUESTION AND ANSWER PERIOD TO FOLLOW.

THE STANDARD OPERATING PROCEDURES GOVERNING THE ACTIVITIES OF ALL PROCUREMENT CENTER REPRESENTATIVES CALL FOR US TO VISIT THE COMMANDING OFFICER, THE HEAD OF A PROCUREMENT CENTER, OR OTHER KEY OFFICIALS OF A PROCURING ACTIVITY AT LEAST ONCE A YEAR. MY SCHEDULE FULFILLS THAT REQUIREMENT.

WITH REGARD TO THE QUESTION CONCERNING MY APPEALING THE FAILURE OF A PCO TO SET ASIDE OR AWARD A CONTRACT PURSUANT TO SECTION 8(A), I HAVE NEVER SUBMITTED SUCH AN APPEAL AS I DO NOT HAVE THE AUTHORITY TO DO SO. SUCH AUTHORITY, HOWEVER, IS AVAILABLE TO THE MINORITY SMALL BUSINESS STAFF IN THE ALBUQUERQUE DISTRICT OFFICE, AS PRESCRIBED IN SBA NOTICE 8000-78. MY RESPONSIBILITIES ARE LIMITED TO THE PRIME CONTRACTS PROGRAM.

ALTHOUGH I OCCASIONALLY MEET WITH 8(A) FIRM REPRESENTATIVES WHEN THEY SEEK APPOINTMENTS WITH ME, THE RESPONSIBILITY FOR REGULAR VISITATIONS TO 8(A) COMPANIES RESTS WITH THE MINORITY SMALL BUSINESS STAFF IN THE ALBUQUERQUE DISTRICT OFFICE. I DO CONSULT WITH DISTRICT MSB PERSONNEL ON 8(A) PROBLEMS AS THEY ARISE AND ARE BROUGHT TO MY ATTENTION DURING MY FIELD VISITS. DUE TO PRIVACY ACT CONSTRAINTS, I AM NO LONGER RECEIVING 8(A) CONTRACTOR PROFILES FROM THE DISTRICT OFFICE ON NEW 8(A) FIRMS.

THE STANDARD OPERATING PROCEDURES FOR PROCUREMENT CENTER REPRESENTATIVES DESCRIBES 26 DUTIES FOR THESE POSITIONS, 9 OF WHICH CALL FOR ACTIVE INVOLVEMENT IN THE 8(A) PROGRAM AND REQUIRE ME TO PERFORM THE FOLLOWING PRINCIPAL FUNCTIONS: 1) ASSIST 8(A) FIRMS, 2) IDENTIFY REQUIREMENTS FOR 8(A), 3) REVIEW 8(A) SEARCH LETTERS, AND 4) ASSURE THAT MSB PERSONNEL PERFORM AN IMPACT ANALYSIS BEFORE TAKING A CONTRACT REQUIREMENT WHERE THERE IS AN INCUMBENT SMALL BUSINESS PERFORMING. I DO MY BEST TO FULFILL THESE REQUIREMENTS AS THEY ARISE, AND AS TIME PERMITS, BUT 90% OF MY TIME IS SPENT IN MAKING PROCUREMENT REVIEWS AND IN TRAVELING AMONG THE 13 PROCURING ACTIVITIES WHICH I COVER IN THE STATE OF NEW MEXICO.

THAT CONCLUDES MY TESTIMONY, MR. CHAIRMAN. I WILL DO MY BEST TO ANSWER ANY ADDITIONAL QUESTIONS YOU MAY HAVE.

Mr. TORRES. We'll go to our last witness then, Mr. Ramos. He represents the area here in Albuquerque. Mr. Ramos.

TESTIMONY OF PHIL P. RAMOS, DISTRICT DIRECTOR, ALBUQUERQUE DISTRICT OFFICE, SBA

Mr. RAMOS. Thank you, Mr. Chairman. My name is Phil Ramos. I'm the District Director for the Albuquerque District Office of the Small Business Administration. My office is responsible for service delivery of all Small Business Administration programs here in the State of New Mexico.

I want to thank you for affording me the opportunity to discuss the Small Business Administration's 8(a) Program here in the State.

September marks the beginning of my fourth year in New Mexico. During the last 3 years, the Albuquerque District Minority Small Business Program has shown excellent growth in its 8(a) Program. At the beginning of fiscal year 1984, when I arrived at Albuquerque, the 8(a) portfolio totaled 34 firms, which has now grown to 56 firms. I anticipate that the portfolio will grow to some 60 firms by the end of the fiscal year.

The 56 firms in the 8(a) portfolio, by way of clarification, consist of 26 construction firms—there's only 26 construction firms in those 56—9 manufacturing, 17 professional firms, and 4 nonprofessional service firms. Those are listed on the exhibit submitted to you.

Mr. TORRES. What is the number of construction firms, again?

Mr. RAMOS. The number is 26, of 56. The portfolio is ethnically represented by 42 Hispanic firms, 8 Native American firms, 5 black firms and 1 Asian firm. The firms are geographically dispersed throughout the State, with 36 located within the Albuquerque metropolitan area.

The number of contracts issued has also grown from 49 at the end of fiscal year 1983 to 93 awarded at the end of fiscal year 1985, and it appears that this year's total contracts will be nearly as high as fiscal year 1985.

The dollar volume in contract awards has also increased from $8.7 million in fiscal year 1984 to $26.5 million in fiscal year 1985, and it is anticipated that total contract dollars for fiscal year 1986 will be $50 million.

I have provided the committee with my written response to the questions previously presented by the committee, but I'll be more than happy to answer or elaborate on any of these questions or other areas, if you should so desire.

[Mr. Ramos' prepared statement, with attachments, follows:]

Prepared Statement of Phil P. Ramos, District Director, Albuquerque District Office, SBA

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for affording me the opportunity to discuss the Small Business Administration's 8(a) Program here in the State of New Mexico.

September, 1986, marks the beginning of the fourth year of my appointment to the District Director position here in Albuquerque. During the last three years, the Albuquerque District Minority Small Business Program has shown excellent growtn in its 8(a) Program. At the beginning of Fiscal Year '84 when I arrived at Albuquerque, the 8(a) portfolio totalled 34 firms which has now grown to 56 firms. I anticipate that the portfolio will grow to some 60 firms by the end of the Fiscal Year '86. The 56 firms in the 8(a) portfolio currently consist of 26 construction, 9 manufacturing, 17 professional, and 4 non-professional service firms. The portfolio is ethnically represented by 42 Hispanic firms, 8 Native American firms, 5 Black firms, and 1 Asian firm. The firms are geographically dispersed throughout the state with 36 located within the Albuquerque metropolitan area. (Exhibits 1, 2, 3).

The number of contracts has also grown from 49 at the end of FY '83 to 93 awarded at the end of FY 85, and it appears that this year's total contracts

will be as high as FY 85. The dollar amount in contract awards has also increased from $8.7 million in FY '84, $26.5 million in FY '85, and it is anticipated that total contract dollars for FY '86 will be $50 million. (Exhibits 4, 5).

Specific areas in which the committee had indicated the need for information are as follows:

1. How does the Albuquerque District Office keep appraised to the capabilities of 8(a) firms in its portfolio?

Response: The Minority Small Business and Capital Ownership Division staff conducts annual reviews of all firms in the portfolio to determine trends, strengths, and weaknesses. The annual review considers financial data submitted by each firm on a quarterly and annual basis as well as information provided by the business opportunity specialists assigned to service the firms. The assigned specialists conducts quarterly and year end financial analyses, maintains close communications with the firms, and makes at least one field visit to the firm annually to keep abreast of changes in the firm's management, technical capabilities, equipment, and facilities. Moreover, professional associations, non-profit marketing organizations, Chambers of Commerce, as well as personal representatives assist in marketing individual firms' capabilities to various procurement organizations concurrently with the Small Business Administration. Finally, firms that are required to bond government contracts provide letters to the Agency of single and aggregate bonding capacity from their respective bonding companies on an annual basis.

2. How does the District Office identify upcoming procurement opportunities and match those requirements with the capabilities of 8(a) firms?

Response: Two principal methods are used in identifying procurement opportunities for our 8(a) portfolio. The first method is by the firm's individual self-marketing efforts with the various procuring agencies here in New Mexico. The second method is by the procuring agencies providing a "shopping list" to our office of possible procurement opportunities for the purpose of matching capable contractors.

The requirements are matched in two ways:

A. Through name request as indicated by the procuring agency; or

B. By the District Office's evaluation of the demonstrated capability of individual firms according to the requirement offered. If this process is used at least tnree firms are considered to determine greatest need on open requirements.

3. How often does the District Office return requirements to procuring agencies due to the failure to match such requirements with qualified 8(a) firms?

Response: Normally, the Albuquerque office would not return requirements to procuring agencies if unmatched. The unmatched requirement is forwarded to the Dallas Regional Office for possible match-up with other Regional 8(a) firms.

4. During Fiscal Year 1984, Fiscal Year 1985, and Fiscal Year 1986, was there any instance when the District Office requested a requirement for an 8(a) firm SBA found to be competent and responsible to perform but was denied that requirement by the particular buying activity? How often did this occur?

Response: There has been one instance in Fiscal Year 1986 when we believed that an 8(a) firm to be competent and responsible to perform was denied that requirement by a procuring activity. The contractor in this instance, Martinez Custom Trailers, was offered a requirement to manufacture 787 M149A2 trailers for the U. S. Army Tank Automotive Command out of Warren, Michigan. The requirement was offered, matched, the contractor started his cost proposal when TACOM withdrew the requirement.

5. (A) How many firms are in the district's portfolio?

Response: As of FY '85, there were 48 firms in the portfolio.

(B) What is in the race/ethnicity and sex of the principle business owners of each such firm?

Response: All of the firms as of FY '85 are male owned. Two female Hispanic firms were added during FY '86. The race/ethnic breakdown is:

FY 1985	35	Hispanic	FY 1986	42	(2 female)
	7	Native American		8	
	5	Black		5	
	1	Oriental		1	

(C) What was the approved level of 8(a) support for each firm during FY '85 and the dollar amount of actual attainment against each support level?

Response: See list below.

Fiscal Year 1985 Awards	Projections	Contracts	Mods.	Actual Dollars Awarded Total
ADC, Ltd. (1)	300,000	300,000		300,000
Alamo Woodsmen (1)	150,000	3,304		3,304
Antelope Bldg. Maint. (3)	250,000	341,396		341,396
Apache Const. (6)	1,000,000	634,242		634,242
Ayala Const. (3)	300,000	24,097	2,255	26,352
B & M Cillessen Const. (11)	100,000	2,247,149	349,819	592,968
Becknell & Assoc. (1)	125,000	83,399		83,399
Boar Contractors (4)	1,500,000	1,159,174		1,159,174
Bradley Const., Inc. (3)	4,000,000	2,494,617	1,984,411	4,479,028
Cavern City Construction (1)	1,000,000	96,079	54,668	150,747
City Painting (3)	250,000	221,214	11,987	233,201
Duke City (2)	50,000	113,414	159,498	272,912
ENG Machine (1)	50,000	30,681		30,681
F & P Const. (3)	500,000	584,096	114,007	698,103
Geoscience Consultants (4)	400,000	297,092	68,617	365,709

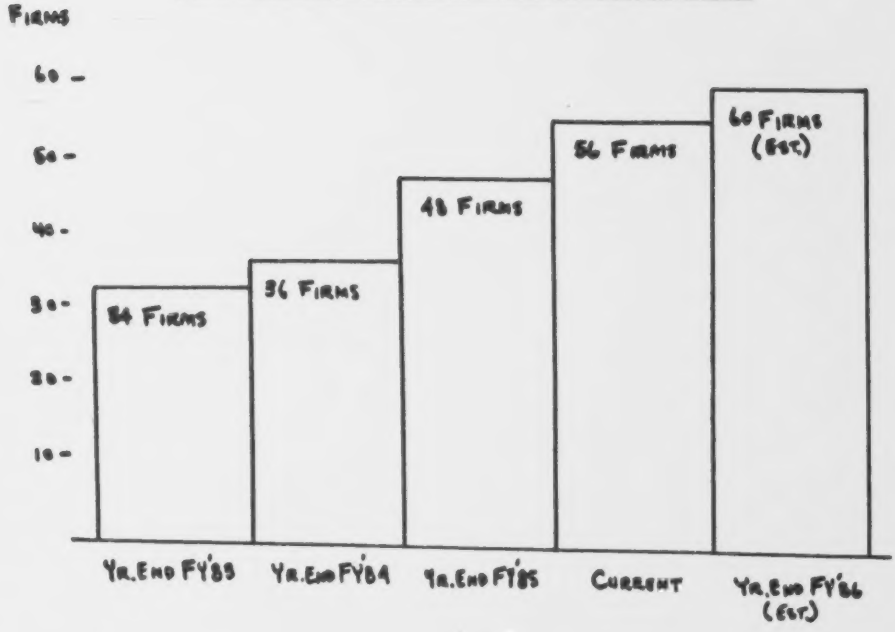
Fiscal Year 1985 Awards	Projections	Contracts	Mods.	Actual Dollars Awarded Total
GMC Const. Co. (1)	500,000	70,100		70,100
Homes by Mario (Cibola) (2)	500,000	249,894		249,894
Ike J. Monty, Inc. (10)	6,000,000	6,619,629	54,737	6,674,366
J.A.R. Concrete (1)	2,000,000	1,653,608		1,653,608
Laguna Industries (1)	500,000	(Letter contract award dollars pending)		
Las Cruces Transit Mix (1)	500,000	157,080	47,798	204,878
Lucero, Inc. (1)	1,000,000	464,720	15,994	480,714
Mathew Lucero Const. (3)	150,000	143,342	2,446	146,788
Martinez Custom Trailers (2)	2,500,000	33,413		33,413
Ojo Caliente Craftsmen (4)	950,000		868,366	868,366
Orion International (3)	300,000	270,000		270,000
Rainbow Construction (6)	150,000	1,147,388	279,240	1,426,628
Max Rivera Gen. Contractor (5)	1,800,000	888,991	3,000	891,991

Fiscal Year 1985 Awards	Projections	Contracts	Mods.	Actual Dollars Awarded Total
Solar Electric (2)	500,000	74,590	18,117	92,707
TMS Building Maint. (2)	250,000	72,711		72,711
Y.E.A., Inc. (2)	75,000	243,202	27,688	270,890
Cortez III	2,500,000		1,869,377	1,869,377
Fernandez Design	100,000		27,862	27,862
Robert Marquez, CPA	300,000		341,483	341,483

Firms With No FY '85 Awards Under 8(a)	FY '85 Projections
Black Mesa Electric (new)	280,000
Correa Enterprises, Inc.	450,000
Gonzales Landscaping	200,000
Hi-Tech, Inc.	300,000
M2C5 Systems, Inc.	200,000
Marina Construction, Inc.	500,000
Rightway Machine Co.	200,000
Service Circuits, Inc.	550,000
Smith & Aguirre Const., Inc. (new)	1,500,000
Star Drilling Co., Inc.	450,000
Universal Building Co.	750,000
United International Engineering, Inc. (new)	200,000
Western Construction & Site Development, Inc.	100,000
Westport Painting Co.	350,000

EXHIBIT 1

NEW MEXICO FIRMS IN S.B.A 8(a) PROGRAM

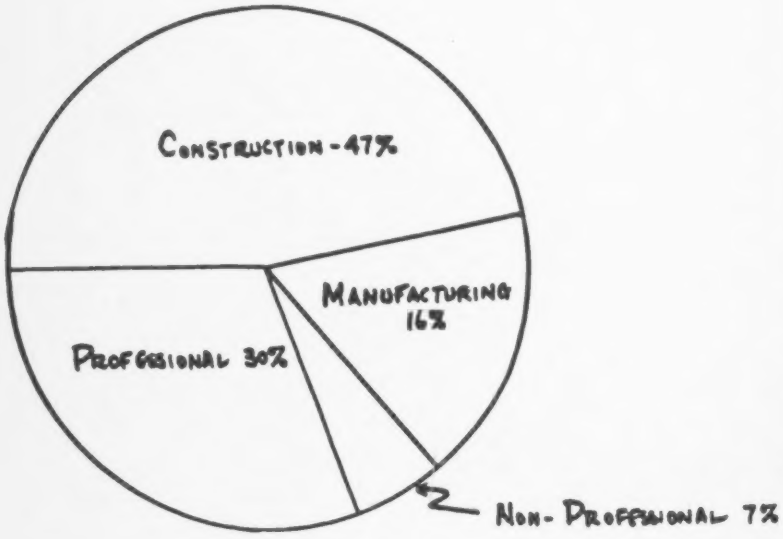


NOTES:

0 64.7% GROWTH SINCE FY'83.

EXHIBIT 2

NEW MEXICO S.B.A. 8(a) FIRMS, BROKEN DOWN BY BUSINESS TYPE



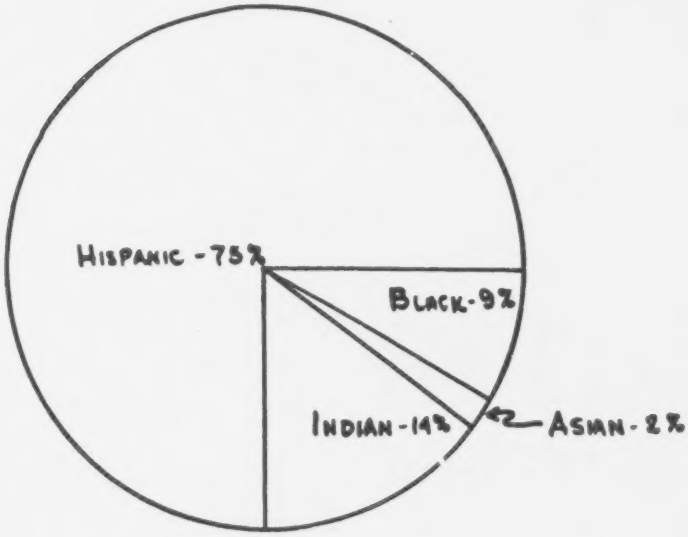
FY'86

NOTES:

CONSTRUCTION FIRMS 26
PROFESSIONAL FIRMS 17
MANUFACTURING FIRMS 9
NON-PROFESSIONAL FIRMS 4

EXHIBIT B

NEW MEXICO S.B.A. 8(a) FIRMS, BREAKDOWN BY ETHNIC GROUP



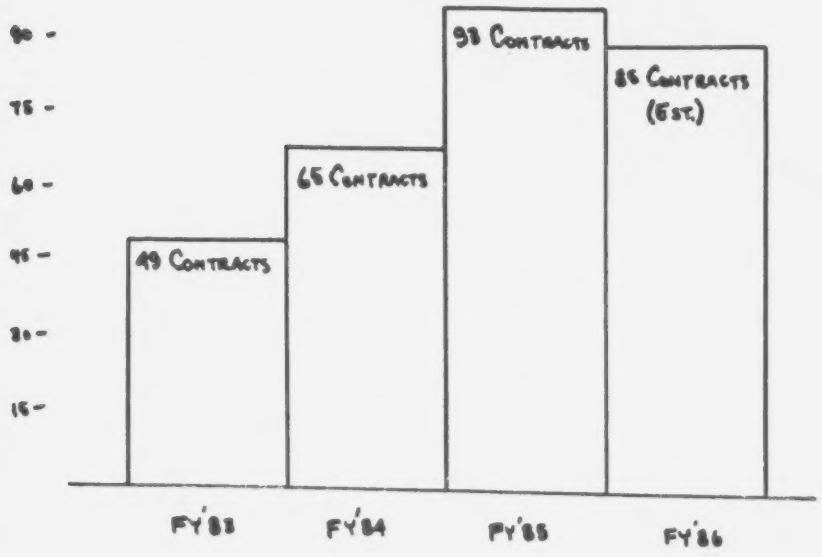
FY '86

NOTES:

HISPANIC	42
INDIAN	8
BLACK	5
ASIAN	1

EXHIBIT 4

CONTRACT AWARDS TO NEW MEXICO S.B.A. 8(a) FIRMS

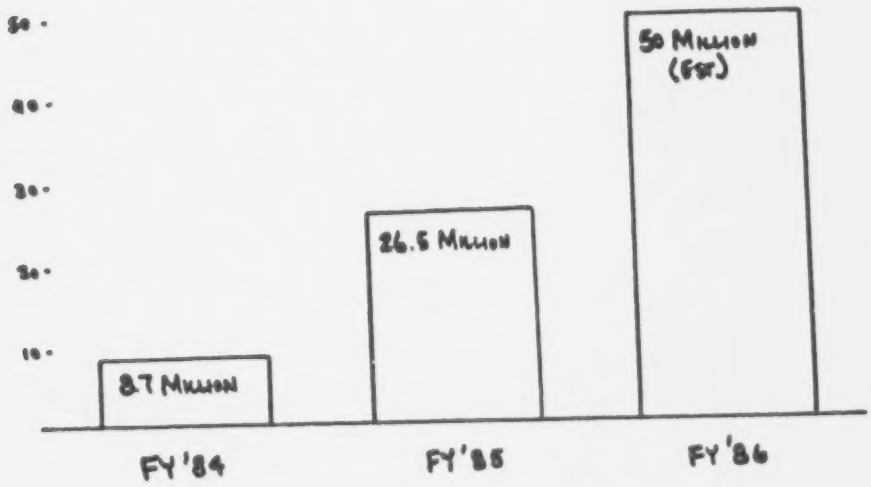


NOTES:

1) 89.8% INCREASE IN NUMBER OF CONTRACTS AWARDED FROM FY'83 TO FY'86

EXHIBIT 5

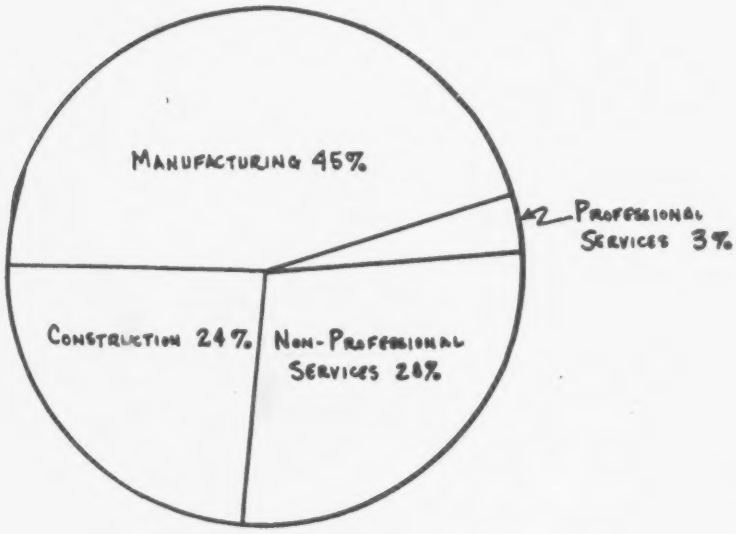
CONTRACT (AND MODIFICATION) DOLLARS AWARDED TO NEW MEXICO S.B.A. 8(A) FIRMS



NOTES:

○ 474.7 % INCREASE IN DOLLARS AWARDED SINCE FY '84.

New Mexico S.B.A. 8(a) Contract Dollars, By Business Type

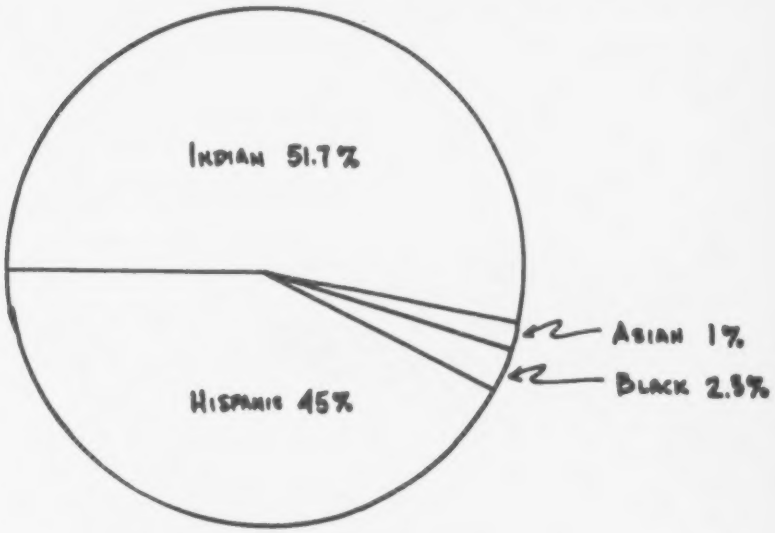


FY'86, Through June 30, 1986

Notes:

1) Non-Professional	$	11,722,180
2) Construction		9,993,184
3) Professional		1,259,972
4) Manufacturing		18,476,959
5) Total	$	41,452,995

New Mexico S.B.A. 8(a) Contract Dollars, By Ethnic Group

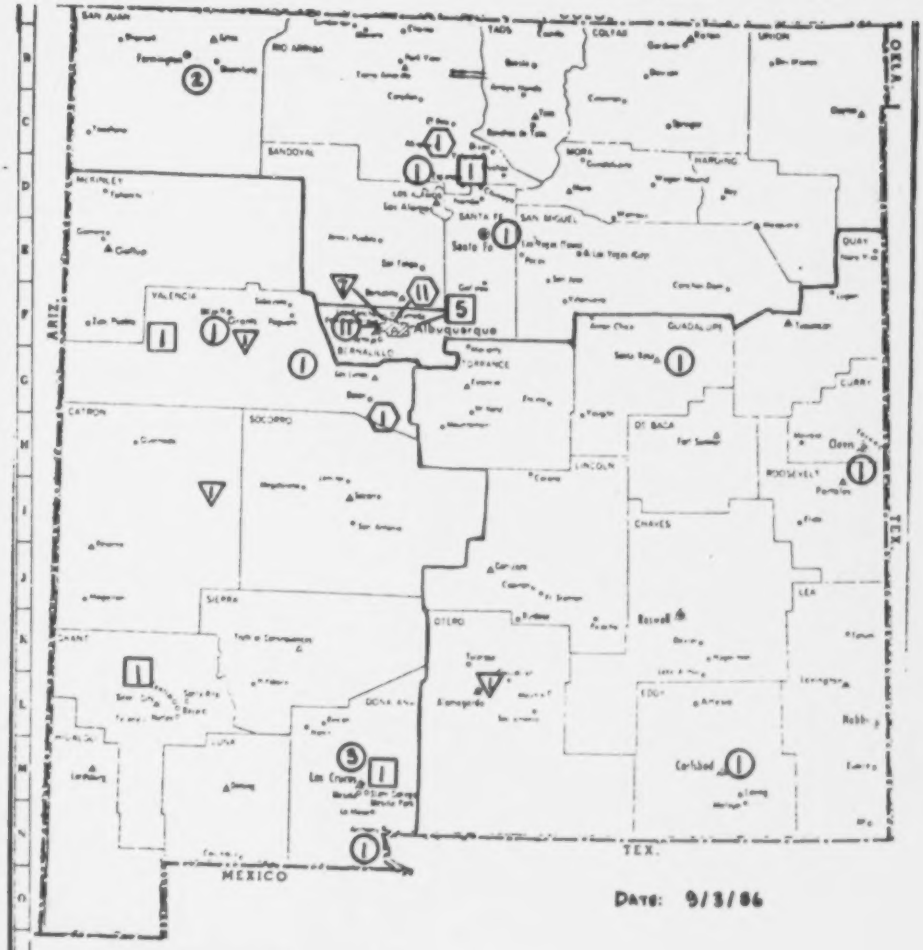


FY'86, Through June 30, 1986

Notes:

1)	Asian	400,000
2)	Black	955,405
3)	Hispanic	18,650,208
4)	Indian	21,447,382
5)	Total	41,452,995

Geographic Dispersion of New Mexico S.B.A. 8(a) Contractors



DATE: 9/3/86

Contractors By Business Type

1) Construction ○
2) Non-Professional Services ▽
3) Professional Services ⬡
4) Manufacturing □

*Numbers inside symbols indicate number of contractors.

Mr. TORRES. Thank you, Mr. Ramos. I appreciate your statement, as read. It will be entered in its totality.

I wanted to ask Mr. Luna how many business development specialists or other types of personnel are employed by the region to perform MSB or COD functions. Could you give me a reading on that?

Mr. LUNA. Yes; let me put it like this. In 1979 this program was transferred to what we call the MSB and COD Program under Public Law 95-507 in this region. That year, the year 1979, we did $55 million in 8(a) contracting in the entire region. At that time we had 42 personnel positions assigned throughout the region. Last year, in 1985, we increased it by 430 percent, up to $237 million, and we had 39 people.

I have always been a proponent of doing more with less. But as I told the Administrator a few weeks ago, I just can't stretch it anymore.

Mr. TORRES. You're really down in personnel, but you've increased the caseload and the productivity?

Mr. LUNA. Yes, sir; it's 430 percent over 1979.

Mr. TORRES. This is not because you're here, Mr. Luna, but I happen to know about your region and I happen to know the—I don't have specific knowledge about the numbers, but I do know about you and your performance, that you work weekends, you work at nighttime, and perhaps you and others on your staff are responsible for the increase with the lesser amount of people. What has the Administrator said about you stretching it this way?

Mr. LUNA. Well, he is currently in the process of evaluating the programs for all program areas at this time. And I understand he will be having a meeting sometime in the middle of this week in Washington, and I believe a regional action plan is supposed to be submitted to Washington sometime in the latter part of September, as I recall the calendar. I don't know what they're going to do as far as the resources. As you well know, they will possibly be fewer and they will expect more of each individual.

Mr. TORRES. Mr. Ramos, I also also believe that you have a decrease in staff, as well. But you have alluded that you're also up in the increased portfolio. Am I correct?

Mr. RAMOS. That's correct, sir, and that is only by the good stead of the gentleman that heads the program for me, Mr. Borrego, and his staff. I was in a position earlier this year to transfer a professional position to him; however one of the freezes that came down resulted in all offices losing whatever vacancies existed at that time. So I was not in a position, therefore, to provide the additional assistance which would meet their needs. That makes it very difficult for general managers such as myself to rob Peter to pay Paul. In other words, if I take it from a servicing function and our collections are down, then we're not achieving all that we should be achieving in that area.

But I would have to concur with Mr. Luna that we probably have reached a point where we're doing as much in working as we can at the moment. I'm always looking for suggestions, but I think, at this point, we have reached the saturation point.

Mr. TORRES. Let me ask you another related question. I also serve on the Banking Committee. Can you tell me, from the SBA's

standpoint, the level of cooperation that you receive from local banks in terms of your portfolio requests? What is your general feeling about bank performance?

Mr. RAMOS. In supporting 8(a) contractors or in general?

Mr. TORRES. Well, let's divide that. Let's talk about generally.

Mr. RAMOS. Well, generally I think we've been fortunate here in the State of New Mexico. Since I've been out here, we've seen our lending activity go from about $25 million for fiscal year 1983 to approximately $50 million in loan guaranteeing activity in fiscal year 1986. I think that activity will scale down some just by reason of demand during this fiscal year. We were experiencing this increase at the same time we were trying to address the quality emphasis in lending by the agency. So we're trying to make better loans, even though we're making more of them.

This was done principally through the banking community, as well as the State severance tax fund, which served as a secondary marketing vehicle. So long-term, traditional debt financing for the small business person in New Mexico I think, on a per-capita basis, has done quite well, which speaks well of the banking community generally.

As relates to the minority small business community, we have our share of difficulties principally because some of our minority contractors are not in the best financial position to seek out normal, traditional forms of financing. We have indeed supported contract financing and advance payments to meet some of the needs of the minority contractor.

So in the area of small businesses generally, I think the New Mexico banking community has done quite well. In supporting the minority small business community, it has not done quite as well, but I haven't been able to ascertain that it is any more than just a credit judgment.

Mr. TORRES. Mr. Luna, would you care to comment on how this has affected your area generally, your region? I'm not talking about New Mexico, as such, but in your region.

Mr. LUNA. Well, basically in the overall region we do have problems with financing.

It is my opinion personally, my personal opinion, that we have not overcome those problems that created this program, called the Minority Small Business Program, and capital is one of them. And as long as the Government is going to be the biggest borrower of the available capital out there, there isn't going to be too much available to minority small businesses. That's the reason why we have that same problem even when we get to the area of trying to finance 8(a) contracts in lieu of advance payments or other types of financing.

That's why in this region we are looking more toward advance payments as a financing tool. However, this will create a greater burden on the limited resources that we have to monitor and administer not only at the district level, but at the regional level also.

Mr. TORRES. Thank you. Speaking of monitoring, Mr. Schleicher, does the SBA require Federal contractors to monitor the amount of contract dollars awarded to minority businesses?

Mr. SCHLEICHER. Yes, sir; Public Law 95-507 establishes the matrix for that reporting. We have what we call subcontract spe-

cialists within our regional office that call on the large contractors and monitor their subcontract programs. Within that program concept, they have two goals. They have both a small business goal and a small and disadvantaged business goal. We in the prime contract program review that plan before the contract becomes a reality at the procuring centers. Once the contract becomes a reality, then the monitoring of the administration is done by our regions.

Mr. TORRES. Do you consider yourself and the type of work that you do in your role as an advocate for 8(a) firms?

Mr. SCHLEICHER. Yes; I do. I was one of the first 10 regional 8(a) people hired to manage the program back in 1971, when I came to the field. I spent the first 8½ years with the agency in 8(a) before coming west as a PCR.

Mr. TORRES. Well, thank you very much, the three of you. Mr. Luna, I know you came a long way for this. Mr. Ramos, not so far. I think that today's meeting has been very useful for the hearing record of our committee. This will be edited and printed. And eventually you will receive copies of the printed record of the testimony that was presented today, and all of the documents and statistics will be included.

It has been very useful for me, as a member of the committee, to garner the information that I have received here today.

I want to thank, of course, my colleague, Congressman Richardson, for initiating these field hearings. It is important for us to really understand the nature of economic development and minority enterprise here in the State of New Mexico. I think the record will speak for itself when we scrutinize it, when we look at it, that there is a lot more work to be done. Certainly, you gentlemen who represent the Federal Government in its assistance to small businesses have your jobs cut out for you.

Certainly, those of us in Congress who are at this moment involved in major tax reform issues and other economic issues that confront the country are looking very carefully at the role of SBA, and its future. It's no secret that the administration has asked for the demise and the elimination of SBA.

But it is hearings like this that have lead us to believe, those of us in Congress, that the agency does serve a purpose; that there may be problems with it, to be sure. But you don't eliminate an agency for having problems, you improve on those problems.

And the testimony today of the small businessmen in this hearing, the testimony by the associations, the testimony by the base commanders, the military installations and the national laboratories, is terribly important for us to be able to make judgments as to the type of program that we're dealing with vis-a-vis minority economic development, the use of minorities in full-scale procurement. It's terribly important that we hear from you, as we have.

And to that degree, I want to thank you. I want to thank the committee and Ms. French. I want to thank Congressman Richardson's office for providing the setting here, the council chambers of the city of Santa Fe. To each of you, thank you very much, and this meeting is now adjourned.

[Whereupon, at 1:05 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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